35

STANDING COMMITTEE ON DEFENCE
(2017-18)

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Observations/Recommendations contained in the Twenty Ninth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on Army, Navy and Air Force (Demand No. 20)']

THIRTY FIFTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

December, 2017/Agrahayana, 1939 (Saka)

THIRTY FIFTH REPORT

STANDING COMMITTEE ON DEFENCE
(2017-18)

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Observations/Recommendations contained in the Twenty Ninth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on Army, Navy and Air Force (Demand No. 20)']

Presented to Lok Sabha on 19.12.2017

Laid in Rajya Sabha on 19.12.2017

LOK SABHA SECRETARIAT

NEW DELHI

December, 2017/Agrahayana, 1939 (Saka)

CONTENTS

PAGE.

COMPOSITION OF THE COMMITTEE (2017-18) …….

INTRODUCTION ……..

CHAPTER I Report……....

CHAPTER II (A) Observations/Recommendations which have been accepted by the Government…….....

(B) Observations/Recommendations which have been accepted by the Government and to be commented upon…….....

CHAPTER III Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government …….....

CHAPTER IV Observations/Recommendations in respect of which Replies of the Government have not been accepted by the Committee which require reiteration and commented upon...

CHAPTER V Observations/Recommendations in respect of which Government have furnished interim replies……..…….....

APPENDICES

I Minutes of the third sitting of the Standing Committee on Defence (2017-18) held on 29.11.2017…….....

II Analysis of Action Taken by the Government on the Observations/Recommendations contained in the Twenty Ninth Report (Sixteenth Lok Sabha) of the Standing Committee on Defence (2017-18).....

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2017-18)

Maj Gen B C Khanduri, AVSM (Retd) - Chairperson

Lok Sabha

2. Shri Dipak Adhikari (Dev)
3. Shri Suresh C Angadi
4. Shri Shrirang Appa Barne
5. Col Sonaram Choudhary(Retd)
6. Shri Thupstan Chhewang
7. Shri H D Devegowda
8. Shri Dharambir Singh
9. Shri Jayadev Galla
10. Shri Sher Singh Ghubaya
11. Shri Gaurav Gogoi
12. Dr Murli Manohar Joshi
13. Km Shobha Karandlaje
14. Dr Mriganka Mahato
15. Shri Kalraj Mishra
16. Shri Partha Pratim Ray
17. Shri A P Jithender Reddy
18. Shri Rodmal Nagar
19. Shri B Senguttuvan
20. Smt Mala Rajya Lakshmi Shah
21. Smt Pratyusha Rajeshwari Singh

Rajya Sabha

22. Shri K R Arjunan
23. Shri A U Singh Deo
24. Shri Harivansh
25. Shri Madhusudan Mistry
26. Shri Basawaraj Patil
27. Shri Sanjay Raut
28. Smt Ambika Soni
29. Dr Subramanian Swamy
30.* Shri Vivek K. Tankha

* **Resigned w.e.f. 16.11.2017**

SECRETARIAT

1	Smt. Kalpana Sharma	-	Joint Secretary
2	Shri T.G. Chandrasekhar	-	Director
3	Smt. Jyochnamayi Sinha	-	Additional Director
4	Smt Rekha Sinha	-	Sr. Executive Assistant

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2017-18), having been authorised by the Committee to submit the report on their behalf, present this Thirty-fifth report on 'Action Taken by the Government on the Observations/Recommendations contained in the Twenty Ninth Report (16th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2017-18 on Army, Navy and Air Force (Demand No. 20)'.

2. The Twenty Ninth Report was presented to Lok Sabha on 09.03.2017/ laid in Rajya Sabha on 10.03.2017. It contained 93 Observations/Recommendations. The Ministry of Defence furnished Action Taken Replies on all the Observations/Recommendations in September, 2017

3. The Report was considered and adopted by the Committee at their Sitting held on 29 November, 2017.

4. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold letters in the Report.

5. An analysis of action taken by the Government on the Observations/Recommendations contained in the Twenty Ninth Report of the Committee is given in Appendix II.

New Delhi;
11 December, 2017
Agrahayana, 1938 (Saka)

Maj Gen B C Khanduri, AVSM (Retd),
Chairperson,
Standing Committee on Defence

CHAPTER – 1

REPORT

This report of the Standing Committee on Defence deals with action taken by the Government on the observations/recommendations contained in the Twenty-ninth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on Army, Navy and Air Force (Demand No. 20)', which was presented to Lok Sabha on 09.03.2017 and laid in Rajya Sabha on 10.03.2017.

2. The Committee's Twenty-ninth Report (16th Lok Sabha) contained 93 observations/ recommendations on the following aspects :-

Para No./Nos.	Subject
ARMY	
1-4	Security of Defence Personnel and Establishments
5-7	Army Budget 2017-18
8&9	Revenue Budget
10&11	Capital Budget
12	Percentage share of Army Budget to Defence Budget
13	Budget comparison (2016-17 and 2017-18)
14-18	Budget Review 2016-17
19&20	Under Spending
21	Reduction in RE vis-à-vis BE
22-25	Modernization
26-28	Planning
29-31	Indigenization
32-39	Bullet Proof Jackets
40-42	Shortage of arms and ammunition
43&44	Procurement of Rifles
45&46	Main Battle Tank
47-49	Manpower
NAVY	
50-52	Budget Grant Budget Estimate 2017-18
53	Budget Review 2016-17
54	Percentage of Naval share
55	Naval Base Karwar
56&57	Coastal Security
58-62	Force Level
63	Accident data of Navy
64	Manpower
65&66	Joint Staff - Budgetary Provisions
AIR FORCE	
67-70	Budget, 2017-18
71-73	Budget, 2016-17 Review
74&75	Modernization
76&77	Make in India
78&79	Planning

80&81	Force Level
82	New Generation Hardened Aircraft Shelters (NGHAS)
83&84	Trainer Aircraft
85	Accidents
86-88	Modernisation of Air Fields
89&90	Advance Landing Grounds
91-93	Manpower

3. Action Taken Replies have been received from the Government in respect of all the recommendations/observations contained in the Report. The replies have been examined and the same have been categorised as follows :-

(i) (a) Recommendations/Observations which have been accepted by the Government (please see Chapter II) :

Para Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 13, 14, 15, 16, 17, 18, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 53, 54, 55, 56, 57, 63, 64, 76, 77, 78, 79, 82, 85, 86, 87, 88, 89, 90, 91, 92, 93

(57 Recommendations)

(b) Recommendations/Observations which have been accepted by the Government and commented upon (please see Chapter II) :

Para No. 10, 11, 19, 20, 50, 51, 52, 58, 59, 60, 61, 62, 67, 68, 69, 70,
(16 Recommendations)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):

Para No. 12, 71, 72, 73, 83, 84,
(6 Recommendations)

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee which require reiteration and commented upon (please see Chapter IV):

Para Nos. 32, 33, 34, 35, 36, 37, 38, 39, 65, 66, 74, 75, 80, 81,
(14 Recommendations)

(iv) Recommendations/Observations in respect of which Government have furnished interim replies (please see Chapter V):

Para No. Nil

4. The Committee desire that the Ministry's response to their comments made in Chapter 1 of this Report be furnished to them at the earliest and in any case not later than six months of the presentation of this Report.

ARMY

A. CAPITAL BUDGET

Recommendations/Observations of the Committee (Para Nos. 10 &11)

5. The Committee had, in their Twenty-ninth Report recommended as under:-

> "The capital allocation to Army in BE 2017-18 is Rs. 25,254.32 crore. This allocation is made against a projection of Rs. 42,500.93 crore, thereby amounting to a shortfall of Rs.17,246.61 crore. The capital budget allocated is approximately to the tune of only 60 per cent of the resources sought. Moreover, the amount of Rs. 25,254.32 crore is also intended for requirements pertaining to National Cadets Corps (NCC), Director General Quality Assurance (DGQA), Rashtriya Rifles etc. Thus, the actual capital allocation that would be available for the exclusive use of the Army would become even lower. In so far as the capital segment is concerned, funds are first set aside to meet the Committed Liabilities that are likely to materialize during the year. The remaining resources are distributed to meet the requirements envisaged for other capital acquisitions/procurements etc. The Committee note in this regard that the priority, as far as capital expenditure is concerned, is for meeting the existing committed liabilities and the liabilities which are being carried forward from 2016-17 to 2017-18. The likely expenditure on this count itself viz. committed liabilities is said to be amounting to Rs. 23,000 crore.
>
> Since Committed Liabilities are already in the pipeline for being met, the reduction in the allocation is expected to delay the process of initiation of new projects. This, in the opinion of the Committee, will certainly hamper the modernization process of Indian Army. Therefore, the Committee recommend that the additional funds to the tune of Rs. 13,000 crore at least, as demanded by the Army be made available to them during the FY 2017-18."

6. The Ministry, in its Action Taken Reply, has stated as under:-

> "The demand for additional requirement of funds in respect of Army will be included/projected to Ministry of Finance at Supplementary/ RE stage."

Comments of the Committee

7. In their 29th Report, the Committee had recommended for provision of additional funds to the tune of Rs. 13,000 crore to Army under Capital Head during the year 2017-18. The Ministry has replied by stating that the demand for additional requirement of funds will be included/projected to Ministry of Finance at Supplementary/RE stage. In this connection, the Committee would like to be informed in detail about the amount projected as the requirement to Ministry of Finance at Supplementary/RE stage. The Committee also desire the Ministry to allocate the required amount at supplementary/RE stage. The Committee also desire the Ministry to convince the Ministry of Finance to allocate the required amount at supplementary/RE stage.

B. UNDER SPENDING

Recommendations/Observations of the Committee (Para Nos. 19 & 20)

8. The Committee had, in their Twenty-ninth Report recommended as under:-

"The Committee note that there has been a continuous trend of under spending during the 11th and 12th Plan Periods. Especially, during the 12th Plan Period, the under spending is more evident. During the first Four years of the 12th Plan Period, the allocation made to Army for capital acquisition was Rs. 55,771.10 crore whereas the expenditure incurred was Rs. 49,600.28 crore. Hence, Rs.6,170.82 crore remained unutilized over a span of four years. The Twelfth Plan Period envisaged many critical acquisitions for Army including Bullet Proof Jackets, ammunition items and latest weapons. However, the under-utilization of the allocated amount is indicative of adopting an apathetic attitude towards equipping soldiers with latest state-of-the-art equipments. This, in turn can lead to increased instances of harm, including causalities amongst soldiers. The Committee regret the grim situation and earnestly desire that necessary steps be taken towards critical acquisitions/procurements for Indian Army. While enquiring on the aspect of under spending and the slow pace of expending the budgeted amounts, the Committee were surprised to note that there were many proposals pending in the Ministry of Finance for approval. Therefore, the Army has not been able to spend the money on the projects planned. The Committee take serious note of the fact that while on one hand, the Ministry of Finance cites the aspect of slow pace of spending as the reason for making lesser allocations, on the other, there are some crucial proposals lying with the Ministry and are pending approval. The Committee, in this regard, would emphasize on ensuring that this scenario is changed to yield place to an objective and transparent budgeting system. The Committee desire that this issue be pursued with the Ministry of Finance at the highest level so as to rectify the prevailing situation."

9. The Ministry, in its Action Taken Reply, has stated as under:-

"Ministry of Defence is taking action to meet the operational requirement of the Army. Several measure have been incorporated in the Defence Procurement Procedure (DPP)-2016 to cut down the procurement timelines. Further, all procurement cases are being monitored closely at various level to ensure that cases materialize in a timely manner. During 2016-17, 11 contracts for Capital Acquisitions for Army were signed with Indian and foreign vendors at a total value of Rs. 12,588.06 crore for procurement of various equipment, including Artillery Guns, Missiles, Rocket Launcher System, Simulator and Ballistic Helmets. During the same period, DAC accorded Acceptance of Necessity to 8 capital procurement cases for Army, with estimated cost of Rs. 19,120.89 crore, out of which 4 cases are under 'Buy Indian' category at the cost of Rs. 16,469.14 crore and 2 cases are under 'Buy (Indian-IDDM) at cost of Rs. 1,684.13 crore. The Present status of some of the major acquisitions for Army are given below:-

Assault Rifle A new 5.56 Assault Rifle was developed by Armament Research and Development Establishment (ARDE), Pune, DRDO and OFB. The weapon prototypes were subjected to technical trials in Sept and Oct 2015 and user evaluation trials were carried out in November & December 2015. In February, 2016 Alteration Committee approved modifications in the existing INSAS 1 B rifle. Meanwhile, AHQ has decided to procure Assault Rifles 7.62x51mm, based on adoption of a different operational philosophy. DAC vide decision dated 27.01.2017 has accorded AoN for procurement of 7.62x51mm Caliber assault rifle under 'Buy Global' category. Simultaneously, the OFB is in the process of development of the weapon and the same is planned to be fielded for user evaluation at the earliest.

Artillery Gun The government has accorded approval of acquiring new artillery guns through five procurement cases that also involve indigenous production, including at Ordnance Factories. The status is as follows :-

i. LOA was signed with the US Government for procurement of 145 numbers of 155mm/39 calibre Ultra Light Howitzers (ULH) through FMS route.

ii. A contract has been signed with M/s L&T for procurement of 100 numbers of 155mm/52 calibre Tracked Self Propelled Guns.

iii. An indent has been placed by MoD for Procurement of 114 numbers of 155mm/45 calibre Electronically upgraded Gun system from OFB, Kolkata.

iv. A case for procurement of 400/1180 Towed Gun System is at trial stage.

v. A case for upgunning of 130 mm guns to 155 mm guns is at trial stage.

Bullet Proof Jackets (BPJs)

In response to the RFP for procurement of 1,86,138 BPJs issued on 04.04.2016, five vendors have submitted their bids each offering two models of BPJs. All the vendors were found to be technically qualified to participate in trials, which are in progress. The trials are expected to be completed by November, 2017. To meet the immediate requirements of BPJs, a case for procurement of 50,000 BPJs through the Revenue route had been finalized and the contract was signed on 31 Mar, 2016. The delivery of 50,000 BPJs has been completed.

Tanks AoN has been accorded by DAC for procurement of additional number of T-90 Tanks from OFB as a repeat order.

Missiles During 2016-17, a contract for Brahmos missiles has been signed for the Army.The recommendations of the Committee has been conveyed to Ministry of Finance vide MoD letter No. 3(6)/Budget-I/2016 dated 27-04-2017 with request to furnish suitable response. A reminder dated 05-05-2017 in this regard was also issued but no response is received from Ministry of Finance."

Comments of the Committee

10. The Committee take note of the various acquisition plans of Army as stated in the reply of the Ministry and wish that the said projects reach finality. Further, they desire that the information about the status of major acquisitions for Army as given in the reply of the Ministry which include Assault Rifles, Rocket Launcher Systems, Tanks, Ballistic Helmets and Missiles valuing Rs. 12, 588.06 crore may be furnished to the Committee at the earliest.

C. Bullet Proof Jackets

Recommendations/Observations of the Committee (Para No.32-39)

11. The Committee had, in their Twenty-ninth Report recommended as under:-

"Para No. 32 The Committee, during the course of examination of Demands for Grants had noted that there was serious deficiency of Bullet Proof Jackets(BPJs). Even when the approval of Defence Acquisition Council was obtained on 19.10.2009 for purchase of desired BPJs, the necessary purchases could not be made due to various reasons. The Committee came to know that BPJs currently held by Indian Army are based on GSQR No. 878. This GSQR has since been revised and further procurement of BPJs in the Army is being undertaken as per revised GSQR, i.e. GSQR No. 1438. The new GSQR No. 1438 is at par with the world standards being followed and allows addition/removal of external attachments to / from the BPJ as per operational requirement.

Para No. 33 As regards the present position in regard to BPJs and progress made in procurement of BPJs, the Committee were intimated that, based on the emerging threats, the requirement of the BPJs is on an increase. However, as on date, the total authorisation of BPJs in Army is to the tune of 3,53,765 pieces. The case for procurement of BPJs (quantity 1,86,138) as per new GSQR 1438 is presently at trial stage.

Para No. 34. With regard to the procurement of BPJs of GSQR No. 1438, the Committee were informed that in response to the RFP for procurement of 1,86,138 BPJs issued on 04.04.2016, five vendors have submitted their bids each offering two models of BPJs. All the vendors were found to be technically qualified to participate in trials, which are likely to commence in March 2017.

Para No. 35. In this regard, the Ministry further informed that Mishra Dhatu Nigam Limited (MIDHANI), a DPSU under Department of Defence Production, had earlier developed Bullet Proof Jackets made of steel. However, the same did not meet the requirement of the user. The state-of-the-art Bullet Proof Jackets are manufactured from the fabric made up of the fibres such as 'Aramid' or 'Ultra High Molecular Weight Polyethylene (UHMWPE)', which is light weight, strong and comfortable to wear. The technology for fibre/fabric manufacture is not available in the country. However, there

are a few foreign manufacturers having this technology. The downstream technology for further processing of fabric into material for BPJ manufacture exists with Indian private sector. MIDHANI has now initiated the process to acquire technology for making fibres such as 'Aramid' or 'Ultra High Molecular Weight Polyethylene (UHMWPE)' within the country, in collaboration with concerned foreign companies.

Para No. 36. While analyzing the information submitted by the Ministry on comparison of BPJs available with Indian soldiers and other developed countries, the Committee also noted the aspect of the lesser body coverage area existing in Indian BPJs as compared to the BPJs of other developed nations. The Committee hope that the new BPJs are designed and made keeping in mind the aspect of ensuring maximum body coverage.

Para No. 37. The Committee have also taken note of the advancements made in regard to procurement of 50,000 BPJs (GSQR 878) for meeting the immediate requirement. As a matter of some respite, it was observed that the procurement of 50,000 BPJs was contracted for in March 2016. The delivery of the balance 20,000 BPJs is likely to be completed by March 2017. The Committee desire that the procurement of BPJs is completed by March 2017 and supplied to the soldiers. The committee desire to be kept apprised of the progress made in this regard.

Para No. 38. By way of concluding the analytical account as brought out above, the Committee regret that even after the approval by the DAC in 2009 and a lapse of 8 years since then, our soldiers continue to suffer due to the 'insufficiency' of BPJs. Further, the Committee observes that when the trial is rejected, all the expenditure incurred from sanction of the procurement to trial stage goes in vain. Therefore, there is a need to conduct extensive research before tendering for the BPJs. At the same time, the decision should be more specific and timely so that delays in procurement do not occur.

Para No. 39. In any case, the Committee sternly wish and hope that the procurement of 1,86,138 BPJs of GSQR No. 1438 is made within a stipulated time frame even though a huge deficiency of BPJs would continue to remain in the Army as compared to the requirement. The Committee, therefore, recommends that efforts should be made towards procuring the balance BPJs also, as the lives of our soldiers cannot be left in danger. The Committee would like to be apprised of the developments in the direction."

12. The Ministry, in its Action Taken Reply, has stated as under:-

"Procurement of Bullet Proof Jackets (BPJ) for the Army has been addressed in a two pronged approach. Emergent requirements are being procured through the revenue route and overall requirements, with enhanced protection levels, are being processed through the Capital route. Procurement of 50,000 BPJ through revenue route (GSQR 878) was contracted in March 2016 and delivery of the entire quantity has been completed. Additional procurement under this route is also under consideration at AHQ.Capital procurement of 1,86,138 BPJ was initiated in 2009 but RFP had to be retracted in October 2015 as all samples were rejected during trial evaluation. Fresh RFP was issued in April 2016, wherein five vendors had submitted their bids and offered two models each. The case is at an advanced stage of Field Evaluation Trials and is likely to be completed by November 2017. Capital procurement scheme of BPJs is based on GSQR No. 1438, which incorporates prevalent technical and operational requirement of the Army and conforms to

internationally accepted norms. The aspect of maximum body coverage and trial evaluation of the highest standards (National Institute of Justice (NJI) standard 0101.06) has been ensured.Observation of the committee with regard to the need to expedite procurement of BPJs is noted for compliance. In response to the RFP for procurement of 1,86,138 BPJs issued on 04.04.2016, five vendors submitted their bids each offering two models of BPJs. All the vendors were found to be technically qualified to participate in trials, which are in progress. The trials are expected to be completed by November, 2017. To meet the immediate requirements of BPJs, a case for procurement of 50,000 BPJs through the Revenue route had been finalized and the contract was signed on 31 Mar, 2016. The delivery of 50,000 BPJs has been completed.

Comments of the Committee

13. The Committee take note of the information submitted by the Ministry. In the reply, the Ministry has informed that procurement of 1,86,138 BPJs (based on GSQR No. 1438) was being progressed through capital route in regard to which field evaluation trials are likely to be completed at an early date. The Committee wish to be kept apprised of the details of the trial. Besides this, it has been informed that procurement of 50,000 BPJs (based on GSQR No. 878) was being progressed through revenue route. Possibility of additional procurement under this route is also under consideration at Army Head Quarters. The Committee, in their various reports have expressed concern over the delay in supply of BPJs. The Committee are of the view that a time frame must be worked out for procurement of BPJs at the earliest. They also wish to be informed about the variation/differences in quality of the BPJs procured on the basis of both the above GSQRs in terms of body coverage etc. The Committee are concerned on ensuring that highest standards of BPJs procured/being procured, is maintained.

INDIAN NAVY

D. BUDGET GRANT - BUDGET ESTIMATES 2017-18

Recommendations/Observations of the Committee (Para Nos.50-52)

14. The Committee had, in their Twenty-ninth Report recommended as under:-

" Para No. 50 In Budget Estimate 2017-18, the projection made by Navy and allocation given by Ministry of Defence are Rs. 51,065.20 crore and Rs. 37,841.98 crore respectively. There is a deficit by Rs. 13,223.22 crore. In the contemporary times, safety and security of the country is far more dependent on sea frontiers. Besides security aspect, benign roles of Navy are also multi-faceted which

include, humanitarian assistance during natural disasters. Therefore, a potent and capable Navy is essential not only for Defence purpose but also economic and diplomatic edge of the country. To attain this, long term budgetary support is pre-requisite. On the contrary, a budget deficit of nearly 25% will indeed have cascading affect on operational preparedness and technological upgradation of Navy. It is therefore desirable that required funds are provided to Indian Navy.

Para No. 51 Revenue Allocation in BE 2017-18, consists of Rs. 16,499.20 crore made against a projection of Rs. 19,733.18 crore. Out of the total Revenue Budget, Rs. 8511.57 crore is meant for Pay and Allowances. This accounts for 53 per cent of allocation. Thus, Rs. 7927.63 crore is left for non-salary expenses which include stores, fuel, etc. these components are extremely crucial for the 'Preparedness' of the Service. The Committee believe that the budget crunch would also affect the training and maintenance aspects which are essentially critical as inadequacies on this front may lead to accidents and causalities. Besides, growth in Revenue Budget needs to factor for inflationary trends also. The Committee found that for the first time in 25 years, the Pay and Allowances component has exceeded the Other Heads. The Committee regret the not-so-happy state-of-affairs prevailing and desire that additional allocation must be made available to Navy under Revenue Head.

Para No. 52 The Capital part of the Budget is Rs. 18,603.71 crore made against a projection of Rs. 27,546.49 crore. The Capital segment comprises of two main components of Committed Liabilities and New Schemes. The representatives of Navy submitted before the Committee that BE 2017-18 is even less than the amount required on account of existing Committed Liabilities. This year, the allocation is Rs. 18,000 crore in the capital budget whereas the committed liabilities itself is to the extent of Rs. 22,000 crore. On this point, the Committee are worried that if the Committed Liabilities are not managed during the current year, it will spill over to the next year automatically which would mean that Navy's new schemes to be finalized during the next year will get affected. This is tended to become cyclic. The Committee would like the Ministry of Defence to ensure that appropriate measures are taken to rectify the situation by way of assuring adequate Budgetary provisioning to Navy."

15. The Ministry, in its Action Taken Reply, has stated as under:-

"Para No. 50 The demand for additional requirement of funds in respect of Navy will be included/projected to Ministry of Finance at Supplementary/RE stage.

Para No 51 Ministry of Finance conveys ceilings for Revenue (Salary and Non- Salary separately) and Capital Expenditure. Based on ceilings conveyed by Ministry of Finance funds are allocated to the Services. Since there has been no increase in BE 2017-18 under Non-Salary segment as compared to BE 2016-17, no increase could be effected in Navy's Non-Salary budget for 2017-18. However, the demand for additional requirement of funds in respect of Navy will be included/projected to Ministry of Finance at Supplementary/RE stage.

Para No. 52 The demand for additional requirement of funds in respect of Navy will be included/projected to Ministry of Finance at Supplementary/RE stage."

Comments of the Committee

16. The information furnished by the Ministry is in consonance with the views expressed by the Committee on need for additional funds. The Committee would like to be informed in detail about the funds sought at supplementary / RE stage and also the sums actually made available to the Service. The Committee trust that there would be no adverse effect on capability building process of Indian Navy due to constraints of budget. The Committee desire to be kept apprised of the likelihood of any compromise on account of limitations of budget.

E. Force Level

Recommendations/Observations of the Committee (Para Nos. 58-62)

17. The Committee had, in their Twnety-ninth Report recommended as under:-

"Para No. 58 The Committee have been informed by the Ministry of Defence that Emergency Cabinet Committee report of 1964 approved Force Level of 138 ships and submarines. Meanwhile maritime security environment has undergone considerable changes. Keeping this, in view, in 2012, Defence Acquisition Council (DAC) approved a strength of 198 ships and submarines by 2027. The presently held force level by Indian Navy is 123 ships, 15 submarines and 235 aircraft. The Committee note that there are huge deficiencies in authorized and existing level of ships, submarines and aircraft. Moreover, while examining the Demands-for-Grants of the Ministry of Defence 2016-17, the position with regard to the existing Force Level was exactly the same as it stands now. Not even a single increase in the strength of platform held by Navy has been witnessed. This depicts lackadaisical approach of the Ministry. The Committee view this as an unfortunate state-of-affairs for in the contemporary military parlance, Navy is required to be a potent and strong Force.

Para No. 59 With regard to ships and submarines, the Committee have found that there are some major Projects in progress aimed at alleviating the capabilities gaps. These procurements/acquisitions programme include 46 Ships and Submarines under construction in India. The Committee have been further informed by the representatives of Navy that there is a need to give impetus to replace ageing platforms, Induction of Indigenous Aircraft Carrier, P 15B and P 17A Ships. The Committee wish that all the projects are progressed in time-bound manner and they would like to be apprised in detail about the progress of these projects in the Action Taken Replies.

Para No. 60 Presently Navy is working with 15 submarines as against planned force level of 18 conventional submarines. Moreover, these submarines are 16 to 30

years old. In order to acquire the desired level, currently, six P-75 submarines are under construction at Mumbai Dockyards Limited, Mumbai. In addition to this, Medium Refit Life Certification (MRLC) of submarines is undertaken and case for six P-75 submarines is being progressed as per directives of Ministry of Defence, under strategic partnership model. The Committee would like to be informed about the details of progress made with regard thereto.

Para No. 61 As regards, Mine counter Measure Vessels (MCMVs), the Committee have been apprised that the six MCMVs in operation are over 26 years old. Therefore, rapid induction of MCMVs must be taken care of.

Para No. 62 Aircraft/Helicopters are critical for surveillance and Stand-off targeting at sea. Presently there is a deficiency to the extent of 61 integral helicopters on existing ships. In order to make up the deficiency, mid life upgrade of 28 Kamov helicopters is being undertaken. Also, case for multi role helicopters is being progressed. In addition to these, case for P81 Boeing aircraft is in an advanced stage of acquisition, and cases for 12 Dornier aircraft and Nine Medium Range Maritime Reconnaissance Aircraft are also in progress. The Committee wish that these cases proceed in right direction and at right speed. Details regarding their progress be made available to the Committee within three months."

18. The Ministry, in its Action Taken Reply, has stated as under:-

"The present status of ships and submarine under construction at various public and private shipyards is as follows:-

Status of Induction of IAC-I. The IAC-I project is presently at an advanced stage of construction with 99% of the hull work and 60% of the outfitting having been completed. Availability of certain critical Aviation equipment being sourced from Russia for the project is being expedited. An 'Expert Committee' has been constituted for IAC Project on 20 May 2015, for periodic monitoring (once in three months) of the IAC project. The Committee is periodically reviewing physical and financial progress of the Project to identify critical activities having a bearing on timely completion of the Project and suggests suitable corrective measures. The Committee provides necessary advice to the Shipyard on issues related to time and cost overruns of the Project. As per the approved delivery schedule, the IAC-I has to be delivered in December, 2018.

Project 15B. The contract for the construction of four P-15B destroyers was signed with M/s MDL on 28 January 2011. The first two ships have been launched in April 2015 and September 2016 respectively. As per contract, the ships are envisaged to be delivered during the period 2018-2024. However, the delivery of the first three ships of Project 15B scheduled in 2018, 2020 and 2022 needs to be rescheduled due to delay in supply of certain equipment sourced from Russia (GTs) /Ukraine (GTGs), BFEs (MR Gun, ATAS, ATDS, AEW Radar, SSR and FPG) and procurement of LRSAM / MFSTAR and these are now expected to be delivered in 2021, 2022 and 2023 respectively. There will be no delay in the overall project timelines with the last ship to be delivered in July 2024.

P 17A. The contract for construction of seven P-17A Frigates was signed with M/s MDL (four ships) and M/s GRSE (three ships) on 20 February 2015. As per contractual provisions, the ships are to be delivered during the period 2022-25. The interim two year period between contract signing and commencement of production has been utilized to ensure required design maturity for Integrated Construction. Accordingly, 97% functional design deliverables have been handed over by *IN* as on date and MDL has progressed on its detailed design and equipment procurement activities.

P-75 Submarines. Six P-75 submarines are being built by M/s MDL and the sea trials of the first submarine have commenced wef May 16. The delivery of the first submarine is planned in June 2017. The second P-75 submarine was launched on 12 January 2017 and is planned for delivery by December 2017. The balance four submarines are at various stages of construction and the last submarine is planned to be delivered by June, 2020.

Project 28 Corvettes. M/s GRSE is undertaking the construction of four ships of Project 28 and the first two ships, INS Kamorta and INS Kadmatt have been commissioned in August 2014 and January 2016 respectively. The third and fourth ships are likely to be delivered by mid 2017 and end 2018 respectively.

LCUs MK IV. Eight LCU MK IV ships are being constructed at M/s GRSE to replace the older Mk III LCUs. The first ship was delivered to *IN* in September 2016 and was commissioned on 29 March 2017 at Port Blair. The balance LCUs will be delivered in 2017 (three) and 2018 (four).

Follow On Water Jet FACs (FO-WJFACs). Four FO-WJFACs are being constructed at M/s GRSE and the first three ships have been commissioned in May 2016, October 2016 and March 2017. The fourth FO-WJFAC is likely to be delivered by May 2017.

NOPVs. The contract for construction of five Naval Offshore Patrol Vessels (NOPVs) was awarded to M/s Pipavav Defence and Offshore Engineering Co. Ltd. (now renamed as Reliance Defence and Engineering Ltd), Gujarat on 27 May 2011 at a 'fixed and firm' cost. The contracted delivery schedule of the ships was November 2014 for the first NOPV and subsequent ships at an interval of six months each. The project was delayed initially in view of the change in vendor's design partner and subsequently due to design issues, deteriorating financial health of the shipyard and change in management. The change in management and take over by M/s Reliance Defence and Engineering Limited (RDEL) was completed on 18 January 2016. The ships are likely to be delivered by 31 October 2017, 31 December 2017, 30 April 2018, 30 June 2018 and 30 August 2018 with a delay of 35 months, 31 months, 30 months, 25 months and 21 months respectively. Presently Navy is working with 15 submarines as against planned forces level of 18 conventional submarines. Moreover, these submarines are 16 to 30 years old. In order to acquire the desired level, currently, six P-75 submarines are under construction at Mumbai Dockyards Limited, Mumbai. In addition to this, Medium Refit Life Certification (MRLC) of submarines is undertaken and case for six P-75 submarines is being progressed as per directives of Ministry of Defence, under strategic partnership model. The Committee would like to be informed about the details of progress made with regard there to.

P-75 Submarines. Six P-75 submarines are being built by M/s MDL and the sea trials of the first submarine have commenced in May 2016. The delivery of the first submarine is planned in June 2017. The second P-75 submarine was launched on 12 January 2017 and is planned for delivery by December 2017. The balance four submarines are planned to be delivered by 2020.

Project 75(I). In the second part of Phase I of the 30 Years Submarine Building plan approved by CCS in 1999, six submarines are planned to be constructed as part of Project P-75(I). The DAC, on 25 October 2014, accorded approval for construction of all six submarines of P-75(I) by an Indian Shipyards(with ToT from a foreign collaborator) in India. The DAC, inter alia, had also approved constitution of a multi-disciplinary Core Committee for identification of suitable Indian Shipyards. The Core Committee had submitted the report to MoD on 08 May 2015 and when the same was tabled at DAC on 01 September 2015, Hon'ble RM directed that the project be studied based on Strategic Partnership model as indicated by Experts Committee. A Task force under Dr VK Atre(ex-DRDO Chairman) was set up by MoD to study the Strategic Partnership Model for future high end technology inductions. The report of the Task Force was submitted in January 2016. Keeping in mind the delays in promulgation of the SP Model, DAC on 14 July 2016 accorded approval for extension of AoN for P75(I) submarines by 18 months i.e. till 06 February 2018. The case will be progressed on the Strategic Partnership model.

MRLC of Submarines. The AoN of DAC was accorded on 29 August 2014 for MRLC of six submarines. The present status of activities related to MRLC is as follows:-

Sindhukesari. The Contract for MRLC of Sindhukesari was concluded on 14 October 2015 at a cost of 188.18 MUSD (Rs. 1197 crore) and the submarine is presently undergoing MRLC at Zvyezdochka shipyard, Russia. On completion of the refit, the submarine would sail back to India in October 2018 and be in service for another 10 years post completion of MRLC.

Sindhuraj. The CNC for MRLC of INS Sindhuraj at Russian yard was concluded on 03 February 2017 at a negotiated cost of 207.3 MUSD. The submarine will be transported to Russia in mid May 2017 and the refit will commence in July 2017.

Sindhuratna. The MRLC of Sindhuratna is to be undertaken at an Indian yard with Russian OEM's assistance from end 2017 onwards. The Russian Side, in December 2015, had intimated M/s L&T as the selected Indian Shipyard for undertaking this MRLC. Accordingly, L&T and Russian OEM (Zvyozdochka Shipyard) have concluded contract for transfer of Principal Refit Technology. The case for undertaking MRLC of Sindhuratna at M/s L&T from end 2017 is being progressed.

Sindhughosh. The MRLC of Sindhughosh is to be undertaken by an Indian shipyard with Russian OEM's assistance in 2020. Accordingly, case for offloading MRLC would be taken up 18 months prior to MRLC.

Shishumar. The MRLC of Shishumar is being planned to be undertaken at MDL with OEM's (M/s TKMS, Germany) assistance. The Budgetary Quote has been submitted by M/s TKMS in August 2016. The work share agreement between MDL and OEM has been finalised and the RFP is likely to be issued shortly.

Shankush. The MRLC of Shankush is to be undertaken by an Indian shipyard with OEM and MDL assistance in 2020/2021. Accordingly, case for offloading MRLC would be taken up 18 months prior to MRLC.

Aircrafts/ Helicopters are critical for surveillance and Stand-off targeting at sea. Presently there is a deficiency to the extent of 61 integral helicopters on existing ships. In order to make up the deficiency, mid life upgrade of 28 Kamov helicopters is being undertaken. Also, case formulate role helicopters is being progressed. In addition to these, case for P8I Boeing aircraft is in an advanced stage of acquisition, and cases for 12 Dornier aircraft and Nine Medium Range Maritime Reconnaissance Aircraft are also in progress. The Committee wish that cases proceed in right direction and right speed. Details regarding their progress be made available to the Committee within three months.

Indian Navy is progressing various cases for induction of aircraft and helicopters for modernisation of the Indian Navy. The present status of the cases are as follows:-

(a) 04 Boeing P-8I (Option Clause). A contract for procurement of four additional Boeing P-8I aircraft, under the Option Clause, was concluded with M/s Boeing on 27 July 2016. The delivery of the aircraft is scheduled between July 2020 to December 2021.

(b) Kamov 28 MLU. The Contract for MLU of 10 KV helicopters including overhaul of seven helicopters, was concluded with M/s ROE on 29 July 2016. Delivery of the Helicopters post MLU will be undertaken between February 2020 to July 2021.

(c) 12 Dorniers for Coastal Security. Towards meeting the imperatives of coastal security, a contract for procurement of 12 Dornier-228 aircraft was concluded with M/s HAL on 29 December 2016. The delivery of the aircraft is scheduled between January 2019 to January 2021.

(d) 16 Advanced Light Helicopters (ALH). A contract for procurement of 16 ALH was concluded with M/s HAL on 29 March 2017. The helicopters are scheduled to be delivered between March 2020 to September 2021.

(e) 08 Chetak: A contract for procurement of 08 Chetak with HAL was concluded on 18th August, 2017.

(f) 09 MRMR Aircraft. The AoN for procurement of nine Medium Range Maritime Reconnaissance (MRMR) aircraft under Buy (Global) categorisation was accorded by DAC on 23 February 2012. The case resulted in a resultant single vendor at TEC stage and the RFP was retracted on 23 September 2015. The validity of AoN has expired on 22 September 2016. *Indian Navy* is presently in the process of drawing up fresh Operational Requirements(ORs), following which the case would be progressed."

Comments of the Committee

19. The Committee have taken note of the targeted timelines of various projects of Indian Navy. It is disheartening to find out that repeated delays have become an inherent part and parcel of the projects. Such an approach is needed to be rectified and strict compliance to the stipulated timelines is the need of the hour. In some cases, processes involved in procurement of certain equipment have been given as a

reason for rescheduling the delivery dates. These include, Project 15B, where the schedule of delivery of the first three ships which was 2018,2020 and 2022 has now been rescheduled to 2021, 2022 and 2023 due to delay in supply of the requisite equipment from Russia and Ukraine. The Ministry of Defence must address these delays with due seriousness and find solutions. The delivery of Naval Offshore Patrol Vehicles(NOPVs) has been delayed due to change in management of the supplier company and take over by M/s Reliance Defence and Engineering Limited. While awarding the contracts, the Ministry of Defence need to ensure that issues such as these are not be allowed to become the reasons for delay in defence acquisition programmes.

The Committee note that some vessels are scheduled for delivery in 2017, which include the first submarine under P-75, Project 28 - Corvettes, three of the LCUs (MK IV), Follow on Water Jet FACs and two of the NOPVs. The Committee wish to be informed in detail about the progress in regard to delivery of these equipments/projects in the Action Taken Statements to be submitted to the Committee. The Committee further strongly feel that the time framework decided for projects should be strictly followed so that the modernization of Navy can take place on priority.

JOINT STAFF

F. Joint Staff - Budgetary Provisions

Recommendations/Observations of the Committee (Para Nos. 65 & 66)

20. The Committee had, in their Twenty-ninth Report recommended as under:-

> "Para No. 65 The Committee note that the Head Quarters - Integrated Defence Staff is a growing organisation. The role of the organisation is critical, particularly from the point of view of intelligence gathering and dissemination. Major requirement of funds is for the purpose of building infrastructure for 'new raisings' and to maintain the existing operational assets. The Revenue allocation for the 'joint staff' in 2017-18 is Rs. 2394.62 crore. Out of this allocation, the salary part is Rs. 1628.45 crore while non-salary part is Rs. 766.17 crore. The allocation in regard to 'non-salary expenditure' in RE 2016-17 was also Rs. 766.17 crore. Thus, there is no increase in the allocation. The Committee have been informed that additional funds will be critical at the stage of RE 2017-18. Accordingly, the Committee wish that necessary funds be released for the organisation.

Para No. 66 The Capital allocation for the organisation in BE 2017-18 is Rs. 744.45 crore. At the stage of RE 2016-17, it was Rs. 854.10 crore. Hence, there is a decrease in budget by 12.84 per cent as compared to that of the previous year. Especially, in the segments of the Capital Budget that pertain to matters other than acquisition, the decrease is upto an extent of 27.04 per cent. In this connection, the Committee note that approval of the Cabinet has been received for building the National War Memorial and National War Museum, for which the estimated requirement in the year 2017-18 would be around Rs. 50 Cr. The Committee observe in this regard that additional funds under 'Capital Head – other than Acquisition' section would be inescapable at the RE stage. Therefore, it needs to be ensured that the funds necessary are channelized under this Head of account."

21. The Ministry, in its Action Taken Reply, has stated as under:-

"The demand for additional requirement of funds under Revenue and Capital head in respect of Joint Staff will be taken-up with Ministry of Finance at RE stage."

Comments of the Committee

22. The Committee would like to be apprised of the details of funds demanded as additional requirement under Revenue and Capital Heads in respect of Joint Staff at RE stage. Also, the amount actually allocated for the Joint Staff may be informed to the Committee. Further, the possible adverse impact, if any, on account of inadequacy of funds on the operational requirements of the service may be intimated to the Committee at the earliest, and not later that three months from the presentation of this Report to Parliament.

AIR FORCE

G. BUDGET, 2017-18

Recommendations/Observations of the Committee (Para No.67-70)

23. The Committee had, in their Twenty-ninth Report recommended as under:-

"Para No. 67. In the Budget Estimate 2017-18, the projection made by Indian Air Force (IAF) was Rs. 92,496.14 crore, while the allocation is Rs. 59,672.50 crore thus amounting to a shortfall of Rs. 42,823.64 crore or 35% vis-à-vis the projection. Hence, the Budget Estimate grant is merely 65% of the amount actually sought by Air Force. The Committee observe that the Budget Estimate allocation to IAF is severely short of their requirements. The Committee feel that this shortfall in the allocation vis-à-vis the amount projected as required by the Air Force would affect

the operational preparedness and in achieving strategic objectives that include, enhanced Air Defence capability, enhanced combat force levels, increased surveillance and automation of Air Defence. IAF has been on a modernization trajectory, which needs to be sustained in the years to come. Also, important projects are at critical stages (CNC/CFA approval) and slow pace of modernisation will have a cascading effect. As per the submission of the representatives of Air Force, inadequacy of budget allocation would result in deferment of certain procurements planned, thereby creating a capability deficit. Therefore, adequate budgetary support is necessary to ensure that these projects fructify.

Para No. 68. Out of the total allocation in BE, the Revenue allocation in Budget Estimate 2017-18 is Rs. 26,102 crore against a projection of Rs. 30,447 crore. This accounts to a shortage of Rs. 4,345 crore. Out of the total Revenue allocation, Rs. 15,054 crore is allocated for Salary expenses. Thus, the amount that would remain available for non-salary expenditure is Rs.11,049 crore. The amount projected as required by IAF for non-salary segment was Rs. 14,927 crore. Thus, Rs. 3,878 crore is the cut in allocation as compared to the projected requirement. The deficit in Revenue Budget would lead to inability to procure spares & fuel, gaps in training programs that would affect serviceability of older systems. This would also adversely affect operational preparedness and other amenities being provided to Air Force personnel. Therefore, it is desirable that necessary funds are provided to Air Force during the course of FY 2017-18.

Para No. 69. The grant in Budget Estimate 2017-18 under Capital Head is Rs. 33,570 crore made against a projection of Rs 62,049 crore. This amounts to a shortfall of Rs. 28,479 crore. The Committee take serious note of the reduced allocation and feel that this may hamper the modernization drive of IAF. The budget allocated exclusively for 'new schemes' is only Rs. 4,000 crore. Air force is a 'capital intensive' service as procurement of Aircraft and related equipments are of high-cost nature. Therefore, necessary funds must be made available to IAF under the capital segment.

Para No. 70. In order to achieve the strategic objectives of IAF, which include, deterrence on two fronts along with an offensive Defence posture, enhanced Air Defence capability, enhanced combat force levels, increased surveillance and automation of Air Defence, the Ministry of Defence had informed that there is a need for continued induction of SU 30 Mki Aircraft, Akash-surface to Air missiles, latest radar systems, Rafale and Tejas Aircraft, etc. However, the Budget allocation does not resonate with the objectives of the Service. Therefore, the Committee cannot help inferring that the intent of the Government is not on the same trajectory as that of the Air Force. In order to achieve the planned targets, it is of utmost importance that Air Force is assigned essential funding in the FY 2017-18."

24. The Ministry, in its Action Taken Reply, has stated as under

"This Ministry is in full agreement with the recommendations of the Committee. The Committee may be assured that all efforts will be made so that no scheme/project is shelved for want of funds. All the additional requirements will be suitably projected at supplementary/RE stage."

Comments of the Committee

25. The Committee are concerned about the adverse and cascading effect that deficiency of funds could lead to especially on modernization and operational preparedness of Air Force. Air Force is a capital intensive Service and requires regular technological advancements in the infrastructure and combat systems. It is, therefore, crucial that regular and appropriate training facilities are provided to the Service personnel in order to have a safe and ever ready Force. The Committee wish that the budgetary slash does not have an effect on any critical requirement or development initiative of Indian Air Force. The Committee would like to be informed in detail about various demands proposed in Capital and Revenue segments for the Air Force at the supplementary/RE stage. Also, the amount actually provided to the Service may be furnished for the information of the Committee in the 'Further Action Taken Statements'.

H. Modernization

Recommendations/Observations of the Committee (Para Nos. 74 & 75)

26. The Committee had, in their Twnety-ninth Report recommended as under:-

"Para No. 74. It has been emphasized upon to the Committee that modernisation is based on the approved LTIPP for 2012-27 which is a vision to the Budget Estimate enforced for maintaining and enhancing the war fighting potential of IAF. In an effort to strengthen the indigenous Defence production base, the Government has put in place a Defence production policy which endeavors to enhance Defence Research and Development base of the country.

Para No. 75. During the 5 years of 12th Plan period i.e. from 2012-13 to 2016-17, the Budget Estimate grant for modernisation is Rs. 16,315,40.92 crore, Revised Estimate allocation was Rs. 15,5265.00 crore, while the Modified Appropriation (MA) was Rs. 15,4407.32 crore. The data reveals that allocation was less than Budget Estimate grants. Such deficiencies would result into asymmetry in capability with regard to envisaged threat perception. Also, flight safety becomes a concern due to obsolescence issues. The Committee opine that modernisation of IAF is an utmost necessity, for which appropriate budgetary resources need to be provided for modernisation. The Committee believe that inadequacy of budget allocation would result in deferment of certain procurements, thereby further deepening the capability deficit."

27. The Ministry, in its Action Taken Reply, has stated as under:-

"The Committee may be assured that all efforts will be made to ensure that no scheme/project of operational urgency is shelved for want of funds. All the additional requirements will be suitably projected at supplementary/RE stage."

Comments of the Committee

28. The Committee take note of the reply of the Ministry of Defence. The Committee had, in their report on the Demands for Grants pointed out the fact that the grant at the stage of RE is getting lesser than the BE grant over the years. The Committee desire to be informed about the budget actually granted in the RE 2017-18 for the purpose of modernization of Air Force. The Committee are also interested in knowing whether curtailment in budget grant, if any, has actually affected the procurement process. Also, details of various expenditures pertaining to modernization of the Service incurred during the year may be brought to the knowledge of the Committee in the Further Action Taken Statement.

I. Force Level

Recommendations/Observations of the Committee (Para Nos. 80-81)

29. The Committee had, in their Twenty-ninth Report recommended as under:-

"Para No. 80. The Committee have been informed that the present requirement of IAF is at least 45 fighter squadrons to counter a two front collusive threat. However, IAF as on date has 33 active fighter squadrons as against Government authorised strength of 42 squadrons. Further, the Committee are given to understand that this gap in the Force level is due to the rate at which fighter aircraft are retiring after completion of their total technical life which exceeds the rate at which their replacements are being inducted into the IAF. With regard to the issue of filling of gaps, the Ministry submitted that the capability gap cannot be filled up in the 12th Plan period which is going to end shortly. However, the capability deficit of current Plan Period is being carried forward. Adequate budgetary allocation over the coming years will ensure that the capability gap is reduced. However, mainly on account of the trend of reduced budgetary allocations at BE and RE stages in the recent years, the Committee are apprehensive about the decrease in the capability gaps. The Committee take note of the requirements of Air Force in regard to acquisition of Aircraft in the coming years. Therefore, they recommend that the funds that are essential are channelized to Air Force for the purpose.

Para No. 81. With regard to the present position of combat capabilities of IAF, during the presentation given by IAF, the Committee were informed that as 14 suadrons of MiG 21, 27 & 29 are due for de-induction in next 10 years, the present level of 33 squadrons will further go down to 19 by 2027, and may further reduce to 16 by 2032. In order to arrest the drawdown, the Committee have been informed by the representatives of Air Force that induction of Su-30, Tejas and Rafale Aircraft would help in addressing the problem. The Committee are worried at the prevailing state-of-affairs. They observe that the capital funding provided to IAF is not at all commensurate with the envisaged requirements. This could lead to erosion of existing capabilities to a large extent. In the light of these factors, the Committee urge upon the Ministry of Defence to take every step needed towards procuring the essential combat planes for Air Force. "

30. The Ministry, in its Action Taken Reply, has stated as under:-

"The Committee may be assured that all efforts will be made to ensure that no scheme/project of operational urgency is shelved for want of funds. All the additional requirements will be suitably projected at supplementary/RE stage. With regard to the present position of combat capabilities of IAF, during the presentation given by IAF, the Committee were informed that as 14 squadrons of MiG 21, 27 & 29 are due for de-induction in next 10 years, the present level of 33 squadrons will further go down to 19 by 2027, and may further reduce to 16 by 2032. In order to arrest the drawdown, the Committee have been informed by the representatives of Air Force that induction of Su-30, Tejas and Rafale Aircraft would help in addressing the problem. The Committee are worried at the prevailing state-of-affairs. They observe that the capital funding provided to IAF is not at all commensurate with the envisaged requirements. This could lead to erosion of existing capabilities to a large extent. In the light of these factors, the Committee urge upon the Ministry of Defence to take every step needed towards procuring the essential combat planes for Air Force."

Comments of the Committee

31. The Committee are unhappy with the customary nature of the reply of the Ministry. The issue of depletion in squadron strength has been taken up repeatedly by the Committee over the years. However, no concrete measure seem to be taken hitherto. The Committee once again reiterate that they may be informed about the specific difficulties being faced in arresting the drawdown of the squadron strength in the coming years and the corrective steps being envisaged/taken by the Government in this regard.

Chapter II
(A) OBSERVATIONS/RECOMMENDATIONS, WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para Nos. 1- 4)

The Committee have taken note of the recent terror attacks on military bases, Defence establishments, critical facilities and even family quarters of soldiers. They are perturbed at such acts of cowardice and condemn the incidences in one voice. The Committee unanimously believe that safety and security of our soldiers along with their families are primary concern and any compromise in this regard is unacceptable. The security of the Nation is paramount and safety of those defending the country cannot be left in lurch. Any sort of ignorance or casual approach could create loopholes leading to serious security threats as witnessed in the recent incidences of terrorist / insurgent attacks.

In view of the above, the Committee observe that the threat perception has transformed and accordingly our Defence mechanism needs modification. Security arrangements in military establishments are dynamic in nature and need periodic review. In this backdrop, the Committee opine that cardinally two major aspects have to be stressed upon. Firstly, our Defence Forces should be equipped with latest state-of-the-art weapons, machineries, bullet proof jackets etc. This will assist the Forces in maintaining a robust and effective response mechanism to counter emerging threats. However, the budgetary provisions made under the Demands-For-Grants (DFG) 2017-18 as well as the dismal status of capital procurements do not reciprocate the seriousness required towards meeting Defence needs. These areas have been examined in detail in the forthcoming paragraphs in the Report.

Secondly, a lot of impetus has to be given to upgrade surveillance systems and networks. Promptness in monitoring and precision in detection of potential threats will help in tracking the insurgent elements well in advance. In this manner, the trouble can be identified and nipped in the bud itself before it actually causes any damage. For this purpose, the Ministry of Defence should take measures for introducing the latest and best available global standards of surveillance technologies. Mere dependence on manual surveillance will no longer suffice the need. Along with installation of the equipments, commensurate emphasis should be laid upon intellectual inputs and technology driven software based detection practices.

The Committee urge upon the Ministry of Defence to implement the above measures in order to strengthen the security of various military establishments across the country. The establishments include cantonment areas, institutions, living quarters etc. belonging to the three Services, Army, Navy and Air Force. In addition, the Committee desire that Para-military Forces like Border Security Force (BSF) may also be taken into confidence for introducing appropriate surveillance technologies as the terrorist/insurgent elements make use of porous borders for infiltration. Implementation of the aforesaid measures would require induction of more funds during the year 2017-18. The Committee desire and hope that the concerns and opinions expressed are taken with due seriousness and progressively implemented. The Committee wish to be kept apprised of the developments in this regard.

Reply of the Government

Government and the Defence Services take the attacks on Defence establishments very seriously and always endeavour to provide foolproof security so as to avoid any loss of lives of Defence personnel and property.

In the wake of the terrorist attack on Pathankot Airbase in January, 2016, Government had constituted a four member committee under the chairmanship of Lt. Gen Philip Campose, *inter alia* to examine the existing Standing Operating Procedure for security of all Armed Forces establishments; to suggest a model format for security audit of armed forces establishments; to recommend short and long term measures including introduction of technological solutions and other reforms in the present system of security of armed forces establishments. The Committee submitted its report to MoD in May, 2016. The recommendations of the Committee included *inter alia* installation of technology based security infrastructure, positioning of well trained, armed and equipped 'Quick Reaction Teams' (QRTs) at high threat/ high priority military bases, conduct of periodic security audits etc.

Based on the recommendations of the Committee and after consultation with Service headquarters, broad Guidelines for Security of Defence Installations were issued to Services Headquarters on 28/11/16.

In compliance of the above Guidelines, the Defence Services have taken a number of actions inter *alia* including risk categorisation of Military Bases; formulation of detailed SOPs; strengthening of response mechanism by better weapons and vehicles; augmenting of security infrastructure by induction of intrusion alarm system and surveillance cameras; security of family quarters; Mutual Aid Schemes with other Services; periodic security audit of all military installations etc.

The details of money spent on security works in 2016-17, induction of more funds and schemes included in AMWP 2017-18 by the three Defence Services are as under:-

	Army	Air Force	Navy
Money spent on security related works in FY 2016-17	156.14 crore utilised as part of Annual Major Works Programme (AMWP)	Rs. 574.42 crore released for a total 103 security related work.	Rs.15.75 crore under AMWP + Rs.12.22. crore under ATWP sanctioned.
Schemes included in AMWP 2017-18	A total of Rs.300.00 crore. was been planned for upgradation of security related infrastructure.	75 security related schemes are included in the proposed AMWP 2017-18 worth Rs.308.65 crore.	28 security related works for an amount of Rs.154.63 crore have been proposed for inclusion in AMWP 2017-18.

Recommendation (Para Nos. 5 - 9)

The Budgetary Grant to Army for the Financial Year (FY) 2017-18 is a part of the Grant No. 20 (Defence Services - Revenue). The Capital Budget of all the three Forces is a part of Grant No. 21 (Capital Outlay on Defence Services). For the current year, 2017-18 the Budget Grant to Army also includes the allocation to Director General Ordnance Factories (DGOF), Research and Development (R&D), National Cadets Corps (NCC), Director General Quality Assurance (DGQA) and Rashtriya Rifles which were a part of the modified Grant No. 20-MoD(Miscellaneous) in FY 2016-17. These have been transferred back to Defence Services Estimates in the current FY 2017-18.

In the Budget Estimates (BE) 2017-18, the total budget allocation to Army (including Revenue and Capital Budget) is Rs. 1,49,368 crore. This allocation has been made against a projection of Rs. 1,96,185.93 crore made by Army thereby totaling to a shortfall of Rs. 46,817.93 crore or a 'budget deficit' of nearly 25 per cent vis-à-vis the projection. The resources that would be available the exclusive use of Army would be further reduced as the BE for the current year includes the allocations required for organizations such as NCC, Rashtriya Rifles, DGQA etc. It is also observed in this regard that, as there has been a cut of about Rs. 3,000 crore from RE allocation of the previous year i.e. 2016-17, there will be an additional burden on Army on account of the shortfall in current year's budget.

The Committee observed that the Budgetary provisioning to Army is critically short and is likely to affect adversely the modernization process as well as operational preparedness of the Force. As per the submission made by the representatives of Army, the shortage in allocation would adversely affect the Defence preparedness in the days ahead. Therefore, it is an utmost necessity that adequate resources are made available to Army. A separate assessment of the Revenue and Capital portion of the budget is given in the succeeding paragraphs.

The Revenue allocation to Army in BE 2017-18 is Rs. 1,24,114.32 crore. This allocation is made against a projection of Rs.1,53,685.00 crore, which amounts to a shortfall of Rs. 29,571.68 crore vis-à-vis the projection. As the Revenue Budget Grant to Army in BE 2017-18 also includes the allocation for National Cadets Corps (NCC), Director General Quality Assurance (DGQA) and Rashtriya Rifles etc., the resources that would be available to the Army under the Revenue allocation would be even lower.

The revenue segment includes two main components - salary and non-salary accounts. Firstly, the budget needed for salary expenditure is kept aside and then the balance budget is provided to meet other obligatory expenses. As most of the resources under the Revenue Head would be routed for salary expenditure, the amount that would be left for meeting expenditure pertaining to other purposes such as the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works, maintenance, etc. would be limited. Additionally, this will impact on new Raisings & Accretions, maintenance of existing weapons & equipment and replenishment of War Wastage Reserve Ammunition, maintenance and repair of infrastructure etc. The Committee are of the view that these areas which are vital for all time operational preparedness of Army are likely to be affected as the allocation is much lower than the projection. There is every possibility that any sort of deficiency in the facilities, which include provision of basic amenities like food, clothing, shelter etc. may adversely affect the morale of our soldiers. Therefore, the Committee desire that necessary funds be provided to Army under Revenue Head. This could be by way of providing additional grants in the course of the FY 2017-18.

Reply of the Government

This Ministry is in agreement with the recommendation made by the Committee. It may however be added that projections made by the Services, including Army, are forwarded to Ministry of Finance for consideration as it is the nodal Ministry for providing funds. If Ministry of Finance conveys reduced allocation, the same is passed on to the Services. It is agreed that due to reduced allocations, certain adjustments may be made but not to the extent that it affects operational preparedness of the Forces. All efforts are made to ensure that sufficient funds are available to meet the critical requirements of the Services.

Ministry of Finance is the nodal ministry for providing funds. All the requirements projected by the Services are forwarded to Ministry of Finance for favorable consideration. All efforts by way of meetings/letters are made to ensure that funds sought by the Services

are provided by Ministry of Finance. The Committee may be assured that all efforts will be made to provide additional funds sought by Army at supplementary/RE stage.

Recommendation (Para Nos. 13 - 18)

As compared to the BE allocation of Rs. 1,13,732.22 crore made to the Army in 2016-17, this year's BE allocation totals to Rs. 1,24,114.32 crore. While the Revenue component of the Budget was Rs.1,09,024 in BE 2016-17, it is Rs.1,18,670 crore in BE 2017-18, which amounts to an increase of Rs. 10,482.10 crore. However, as for the Capital part, the BE 2017-18 allocation is only Rs. 25,193 crore as compared to Rs.26,892 crore of the previous year, 2016-17. The Committee note in this regard that while the increase in the allocation on the Revenue side would meet the requirements of increase in salary expenditure on account of the implementation of the 7th Pay Commission's recommendations, the increase on account of non-salary revenue expenditure would be negligible. More significantly, in the capital component, there is a noticeable decrease of Rs. (-) 1,699 crore in the allocation, which is 6 per cent less than the BE allocation of the previous year, 2016-17. The Committee are of the view in this regard that the reduced budgetary allocation does not even cater to meet the likely increase in expenditure on account of the inflation, let alone the modernization requirements. As the normal functioning of the Army could be hampered, the Committee would once again emphasise on ensuring that adequate resources are made available to them.

During the year 2016-17, at Revised Estimates (RE) stage, Army had projected an amount of Rs. 1,69,576.52 crore which is Rs. 28,900.72 crore more than BE 2016-17 allocation of Rs. 1,40,675.80 crore. However, the amount finally allocated in RE 2016-17 was Rs. 1,42,935.05 crore. In this regard, the Ministry has also stated that in spite of taking up the matter of reduced allocations at the highest level in the Ministry of Finance, the request for additional funds was not acceded to. While conveying the allocations at a reduced level, the Ministry of Finance (MoF) had also not given any reasons for the same. The Committee, in this regard, desire that the Ministry of Finance needs to be taken into confidence at the highest level and the issue of provision of adequate / additional funds must be pursued continuously.

In the case of Revenue Budget of 2016-17, at RE stage, Army had projected a requirement of Rs. 1,34,870.40 crore which is Rs. 21,137.68 crore more than BE 2016-17 (Rs.1,13,732.72 crore). However, the amount finally allocated in RE 2016-17 was Rs.1,18,908.19 crore. The representatives of the Ministry of Defence informed the Committee in this regard that the slow pace of expenditure has been cited by the Ministry of Finance as the reason for reducing allocations / not granting additional funds.

In case of Capital Budget of 2016-17, Army had projected an amount of Rs.34,706.12 crore which is Rs. 7,763.04 crore more than BE 2016-17, i.e. Rs. 26,943.08 crore. However, the amount finally allocated in RE 2016-17 is only Rs. 24,026.86 crore.

Further, in the context of the Revenue Budget being lower than the projected requirement, the Committee have been informed that the allocation provided would be inadequate even for meeting the requirements of Ration, Stores, Works and Emergency Powers. Further, capability development along the Northern Borders would suffer due to this inadequate fund allocation. Despite sanction no additional funds have been made available for the purpose. Thus, equipment and Stores are being issued to New Raising Units (part of Capability Development along Northern Borders) from existing stocks, thereby creating systemic hollowness. Contracts with cash outgo have also reportedly been signed

under Emergency powers and this 'Committed Liability' requires additional allocation. Funds, over and above the allocated amount are said to be required for putting up the Smart Fence along the LoC in J&K to restrict infiltration.

The Committee have also learnt that for capability development along the Northern borders, there was a requirement of about Rs. 64,000 crore over the next eight years. However, the Army has so far been allocated only about Rs. 4,000 crore. If the balance amount required has to come from the Budget allocation made to Army, it would be at the expense of the existing capabilities. The cuts imposed by the Ministry on the Army in RE 2016-17 would also be an additional burden to be carried forward in the ensuing FY. Therefore, the Committee earnestly desire that the Army is provided its rightful due for enabling smooth functioning, undertaking modernization programmes and maintaining an appropriate deterrence level.

Reply of the Government

Ministry of Finance conveys ceilings for Revenue (Salary and Non-Salary separately) and Capital Expenditure. Based on ceilings conveyed by Ministry of Finance funds are allocated to the Services. Since there has been no increase in BE 2017-18 under Non-Salary segment as compared to BE 2016-17, no increase could be effected in Army's Non-Salary budget for 2017-18. As regards capital budget, it may be mentioned that all major capital acquisition would necessarily entail payments spanning several years as deliveries involve several milestone payments and staggered deliveries. This is not related to the availability of funds. The need to defer payments has only occasionally arisen towards the end of a financial year when one or two payments that could not be accommodated from available funds towards the end of March, had to be deferred till April. The Committee may be assured that no modernization project of the Army would be shelved for want of funds.

The recommendations of the Committee have been conveyed to Ministry of Finance vide MoD letter No. 3(6)/Budget-I/2016 dated 27-04-2017 with request to furnish suitable response. A reminder dated 05-05-2017 in this regard was also issued but no response has been received from Ministry of Finance.

The demand for additional requirement of funds in respect of Army will be included/ projected to Ministry of Finance at Supplementary/RE stage.

Recommendation (Para No. 21)

During the 11th plan period, BE for 5 years was Rs. 58,474.97 crore while RE was Rs. 47,870 crore. During the 12th Plan Period BE allocation was Rs. 91,116.09 crore whereas the RE allocation was Rs. 78,997.94 crore. The Committee are astonished by this pattern of funding. At one stage, the Service is assigned a certain amount of money while at a later stage during the FY, some portion of the amount is denied. Upon observing the funding pattern, the Committee can only arrive at the conclusion that there is ad-hocism and a casual approach towards up-gradation of Indian Army. The Committee regret the approach and desire that necessary steps be taken to rectify the situation.

Reply of the Government

It is seen in recent past that the funds allocated at BE stage are reduced at RE stage by Ministry of Finance. However, the additional requirement of funds in respect of Army will be included/projected to Ministry of Finance at Supplementary/RE stage.

Recommendation (Para Nos. 22 - 25)

The Committee believe that in this era of rapid technological advancement, modernization of the Army needs to be a continuous strive. During the year 2016-17, Rs. 21,535.26 crore was allocated for modernization of Army. In RE, the Service demanded Rs. 27.476.22 crore i.e. Rs. 5,940.96 crore of additional amount. However, the allocation made in RE 2016-17 was only Rs. 17,966.46 crore. This amount is much less than the BE allocation and is indicative of an indifferent attitude towards enhancing the capabilities of the Army. As apprised by the Ministry, the acquisitions planned for the year 2016-17 are included in Draft Annual Acquisition Plan (AAP) 2016-18. Major schemes in the draft AAP include Missiles, Artillery Guns, Assault Rifles, Bullet Proof Jackets, Helicopters and Tanks. The Committee cannot help inferring in this regard that these acquisitions may have been derailed due to cash crisis.

During the 11th Plan period, 180 contracts with cumulative value of Rs. 63,172.80 crore were signed and in the 12th Plan period, 103 contracts (upto December, 2016) have been signed with cumulative value of Rs. 5,286.66 crore for Capital Acquisitions of Army. The equipments procured during the 12th plan include Tanks, UAV, Rockets, Radars, Howitzers and Missiles. The Committee observe that lesser amount had been spent during the 12th Plan as compared to the 11th Plan term.

Further, as regards Indian Army's capability, the Committee have been briefed that the inadequate budget allocation over the years has had an adverse impact on its modernization programmes. As against the normally accepted figure of 30 per cent of the equipment being of the state-of-the-art variety, Army is presently much below the prescribed level on this count. Further, as far as the modernization schemes are concerned, 13 schemes are awaiting approval from the CCS as on date. For the modernization requirement this year, there is an inescapable requirement of about Rs. 4,045 crore.

The Committee are of the view that the figures cited above reveal an indifferent attitude towards enhancing the capabilities of the Army. The Army is expected to meet the vast responsibilities of ensuring external and internal security. To serve the purpose, it is quintessence that the Army personnel are equipped with latest state-of-the-art machineries, weapon systems etc. However, the plummeting trend of funds do not reciprocate with the huge expectations laid upon the Service. The Committee view this as a dichotomy and feel that the situation merits immediate attention and Ministry of Defence must ensure that essential capabilities are not hampered due to want of resources. The Committee expect to be intimated about the measures taken in this direction.

Reply of the Government

Projections made by the Services for BE 2017-18, including Army, were forwarded to Ministry of Finance for consideration as it is the nodal Ministry for allocating funds. Ministry of Finance conveyed reduced allocations, which led to lesser allocations to the Services than projections made by them. This Ministry took up the matter of reduced allocations with Ministry of Finance, but no positive outcome has been received. Due to reduced allocations, certain adjustments may have to be made but not to the extent that it would affect the operational preparedness of the Forces. All efforts are made to ensure that sufficient funds are available to meet the critical requirements of the Services.

Recommendation (Para Nos. 26 - 28)

The acquisition of Weapon Systems and equipment for the Armed Forces flows from the Long Term Integrated Perspective Plan (LTIPP). The current LTIPP spells out the

capability desired to be achieved by the Armed Forces over the 15 years duration from 2012 to 2027. The LTIPP is translated into specific assets to be acquired, in the form of Services Capital Acquisition Plan (SCAP 2012-17), covering a five year period. From the Services Capital Acquisition Plan (SCAP), a list of equipment and weapon systems required to be procured immediately is listed in the form of the Annual Acquisition Plan (AAP). The AAP is a 2 year roll on plan. Presently AAP 2015-17 is in vogue and contains 147 schemes which are at various stages of procurement.

The Committee have been given to understand that there are no cost increases after the commercial bids are opened and post signing of the contracts, except on account of exchange rate variation or variation in taxes, if provisions for such variations are included in the contracts. Timelines get extended in procurement cases due to several factors, such as, insufficient and limited vendor base, non-conformity of offers with Request for Proposal (RFP) conditions, lengthy field trial requirement, complexities in contract negotiations and stakeholder consultations. Further, cases involving indigenization and design & development require a long lead time. MoD and Army Headquarters are reportedly working in unison to ensure timely procurement action as per the DPP.

Factors, as enumerated in the preceding paragraph being known in advance, at the time of planning itself, not keeping them in mind would only be indicative of lack of seriousness and adopting a lackadaisical approach. The Committee desire that the issue relating to availability of funds, vendor base, technologies and broad policy framework should be taken cognizance of while drafting the blueprint of the Army plan so that planning and execution go in unison and thereby enable in appropriately addressing issues of cost and time overruns.

Reply of the Government

The observations of the Committee have been noted for compliance. The long term modernization/capability development plans of the Army are currently detailed in the 'Long Term Integrated Perspective Plan (2012-27)'. Further, proposals for purchase of major weapon systems in the current Five Year Defence Plan have been duly prioritized. The proposals are being systematically processed as per their assigned priorities. A number of measures have been put in place, through DPP-2016, to reduce procurement timelines.

Recommendation (Para Nos. 29 - 31)

On the issue of acquisition from indigenous sources, Ministry of Defence submitted that 'Buy Indigenously Designed Developed and Manufactured (IDDM) category' has been introduced in the latest Defence Procurement Procedure which is given the highest priority, thereby meaning that any cases on which are initiated after this 2016, the first category will be 'Buy IDDM'. This would mean, that one either has to go in for an 'IDDM category' or has to justify not going for it before moving on to a lower category. So, the 'Buy IDDM category' mandates that the design, development and manufacturing is all Indian. The Committee hope that this measure will help in boosting Indigenous procurements for Indian Army.

Further, while examining the issue of the scope and extent of indigenization in Indian Army, the Committee observed that the expenditure on Capital Acquisitions for Army on account of orders placed on Indian vendors during the 11th Plan period was Rs. 43,271.36 crore, out of the total expenditure of Rs. 5,11,53.94 crore. During the last three years viz. 2013-14, 2014-15 & 2015-16, 50 contracts for Capital Acquisition for Army were signed with Indian vendors with total contract value of Rs. 20,564.84 crore. In 2016-17, 05 contracts have been signed with Indian Vendors (including DPSUs and OFB) for total contract value of

Rs. 6687.48 Crore. The items contracted include Radars, Tanks, missiles and simulators. The expenditure on capital acquisition in respect of orders placed on Indian vendors during 2014-15 and 2015-16 was Rs. 21844.48 Crore (77.18%). During the current financial year (upto Jan 2017) , DAC has accorded Acceptance of Necessity (AoN) for 8 capital procurement cases involving an estimated cost of Rs.19,120.89 crore, out of which 4 cases are under 'Buy Indian' category at the cost of Rs.16,469.14 crore and 2 cases under 'Buy (Indian-IDDM)' at a cost of Rs. 1,684.13 crore.

On this count, the Committee were further intimated by the representatives of Ministry, while taking evidence, that Army has also created a unit termed, 'Army Design Bureau', which is separately headed by a Major General who would be interacting with the industry on specific requirements of the Service. The Committee appreciate the measure initiated towards creating a Research and Development hub within the country and ensuring that most of the Army's needs are produced in-house so that Army does not have to continue to explore various avenues for buying crucial Defence equipments and face criticalities.

Reply of the Government

Government had accorded in-principle approval in July, 2016 for establishment of Army Design Bureau (ADB). Indian Army launched the Army Design Bureau in August, 2016. Its mandate includes, inter-alia, to act as a central repository of technical know-how for the Indian Army, to collate operational requirements from the field formations and bring it forward for deliberations with DRDO, OFB, DPSUs, Defence Industry and Academia and to facilitate interactions, equipment displays and demonstrations for Industry and to incubate and nurture core technologies for future wars.

Recommendation (Para Nos. 40 - 42)

The Committee, while examining the Demands, learnt that the Army endures with a huge deficiency of arms & ammunition. The Committee's examination of the matter of the shortage on weapons, equipments and ammunition, revealed that deficiencies of 'in-service' weapons and equipment are identified every year through Annual Provision Review and procurement cases re-initiated through Revenue procedure for all equipment, leaving apart armoured fighting vehicles, rockets and missiles. Items under the product range of OFB are indented to OFB and others are procured through trade / ex-import.

With regard to the issue of shortage of ammunition, the Committee understand that a Five Year Roll on Indent for ammunition has been placed on the OFB for the period 2014-19. Further, MoD had accorded Emergency Procurement Powers to VCOAS under Schedule 23 of DFPDS 2016. This will enable in fast-tracking the procurement. However, the build-up of stocks will depend on the vendors capacity to supply the ammunition being procured. Eight types of ammunition have been identified for manufacture by Indian Industry. RFI has been uploaded and responded to by 23 vendors. Preparation of RFP is under progress. MoD has delegated the powers for procurement to SHQ in order to maintain minimum levels of critical ammunition (10(i) levels of WWR) and critical spares.

Upon further examination, the Committee have also learnt that 'Out of 30 cases for procurement approved by the Hon'ble RM in July 2013, 19 cases are in various stages, 04 cases are being re-tendered and procurement in 07 cases have been pended for various reasons'. On the issue of budget requirement for meeting the ammunition requirement, the Committee have been informed that, overall, in the next five years, Army will require about Rs. 6,000 crore. Here, the Committee are concerned to observe that although the measures like increasing vendor base within the country and delegation of powers are good, inadequacies of budget continue to be a major roadblock. The Committee wish that the concern expressed in this regard is addressed and appropriate allocation is made available.

This would be essential as insufficiency of quantity and quality of ammunition can be detrimental to the overall capabilities of the Army.

Reply of the Government

The demand for additional requirement of funds in respect of Army will be included/projected to Ministry of Finance at Supplementary/RE stage.

Recommendation (Para Nos. 43- 44)

Along with ammunition, Rifles have also been a cause of concern for Indian Army. In relation to procurement of rifles, the Committee were briefed that Defence Acquisition Council (DAC), vide decision dated 20.11.2009, had accorded Acceptance of Necessity (AoN) for procurement of Assault Rifles under 'Buy& Make' category with Transfer of Technology (ToT) to OFB. Request for Proposal (RFP) was issued for procurement of dual calibre Assault Rifle in November, 2011. However, as the equipment fielded for trials did not fulfill the General Staff Qualitative Requirement (GSQRs), the RFP was retracted in June, 2015. The Committee regret such a dismal state of affairs.

A new 5.56 Assault Rifle was developed by Armament Research and Development Establishment (ARDE), Pune, DRDO and OFB. The weapon prototypes were subjected to technical trials in Sept and Oct 2015 and User evaluation trials were carried out in Nov & Dec 2015. In Feb, 2016, Alteration Committee approved modifications in the existing INSAS 1 B rifle. In addition to this, Request for Information (RFI) for New Assault Rifle (7.62x51mm) was hosted on MoD website. Presently, GSQR is under formulation. Simultaneously, the OFB was directed to develop and produce a prototype for Army's requirement. OFB is in the process of development of the Weapon and the same is planned to be fielded for user evaluation by March 2017. The Committee desire that all the rifles are acquired within stipulated time frame under intimation to the Committee.

Reply of the Government

The capital procurement of defence equipment is carried out as per provisions of Defence Procurement Procedure (DPP) which provides timelines for completion of various stages of procurement.

AHQ has decided to change the caliber of the Assault Rifles to 7.62x51mm based on their adoption of a different operational philosophy. DAC vide decision dated 27.01.2017 has accorded AoN for procurement of 7.62x51mm Caliber assault rifle under 'Buy Global' category. Simultaneously, the OFB is in the process of development of the weapon in consultation with the user.

Recommendation (Para Nos. 45- 46)

On the issue of induction of Main Battle Tanks in Indian Army, the Committee were informed that a total of 124 MBT Arjun Mark-I have been inducted into the Indian Army. Two

Regiments have been equipped with these tanks. Some of the issues affecting the satisfaction level with the tanks include the weight of MBT Arjun Mark-I (being a heavy tank, its utility is limited and affects deployment in all sectors), incidents of barrel burst/ bulge/chipping, shortage of ammunition affecting practice/training and deficiency of spares for maintenance of the existing fleet of Arjun Mk-I.

The Committee have also been keen to be updated on the status of induction of MBT Arjun Mk-II. In this regard, the Committee have been told that MBT Mk-II has so far not been inducted into the Indian Army as the tank with upgrades is under Trial Evaluation by the

Indian Army. The Committee are unhappy to find that the progress with regard to induction of MBT-II is slow and tardy. MBT-I is grappled with many shortcomings. Therefore, it becomes all the more imperative that early induction of MBT-II takes place. However, at the same time, it should be ensured that unlike MBT-I, MBT-II fully serves the purpose of Army.

Reply of the Government

Arjun Main Battle Tank (MBT) Mk II was again fielded for User Trials during September 2015 specific to evaluation of balance improvements other than missile firing. With these trials, Arjun MBT Mk II has covered more than 6000 km as part of Defence Research and Development Organisation (DRDO) and User Trials. As of now, User declared 67 tank-fittable improvements as successful out of total 73 tank-fittable improvements, after completion of the above September 2015 User Trials.

With respect to the balance six improvements, three improvements viz. Missile firing, Fire Control Computer (FCC) & Muzzle Reference System (MRS) are related to missile, Imported Laser Homing Anti-Tank (LAHAT) missile was initially sourced from M/s Israel Aerospace Industries (IAI), Israel, and trial evaluated earlier. The issues noticed during the trials, such as few low range performance as per Acceptance Test Plan (ATP) and development of clean rocket motor, have been subsequently resolved by the Original Equipment Manufacturer (OEM) M/s IAI, Israel. In the mean time, DRDO has taken up a project for indigenous development of the missile Anti-Tank Guided Missile (ATGM) at – Armament Research & Development Establishment (ARDE), Pune. Therefore, the imported missiles will be ordered after monitoring the progress of indigenous development, if need be, under project mode and the demonstration of missile related improvements will be done accordingly.

The other two improvements (Digital GPI and Digital Engine hour meter) are software related, which are proposed to be addressed by the OEM during productionisation; Remaining; one improvement (additional water storage) was recommended by the User for dropping.

In the mean time, an Integrated User Confirmatory Trials (IUCT) is planned during this summer 2017 subject to User accepting to conduct the IUCT less missile to take the program forward.

Recommendation (Para Nos. 47 - 49)

The Committee while deliberating on the Demands for Grants 2017-18, found that Army is facing shortage of manpower. In case of officers, the sanctioned strength is 49,939 whereas the held strength is 41,569. This accounts to a shortage of 8,370 (16.76%) personnel. With regard to JCOs/OR the existing strength is 11,82,468 against an authorised strength of 11,95,152, thereby resulting into a shortage of 12,684 (1.06%).

The Committee further came to know that the present shortage of officers in the Indian Army stands at 17% and is planned to be reduced @ 1% per year. In this manner, the Committee opine that it will take many years to overcome the shortfall. Further, they have been given to understand that shortage of officers in the Indian Army is mainly due to deficiency in intake of support cadre. The intake of support cadre has been lower than allocated vacancies. The Committee take note of the situation and desire that various methods should be incorporated to ensure enhanced induction of Support Cadre. The Committee would like to be updated on the measures taken in this regard.

As regards filling up the vacancies of JCOs/OR, the Committee have been apprised that 84,069 recruits (7.03%) are already under training and would be sufficient to make up the deficiency. The Committee, while appreciating this, desire that training of candidates should be taken proper care of and it should be based on latest technological up gradations.

Reply of the Government

It has been the constant endeavour of the Ministry to reduce shortage of officers in Army by enhancing intake of Support Cadre. In this regard, various measures have been taken to make services in the Army a better option including Short Service Commission (SSC) being a Support Cadre more attractive which include extending time based promotion to the substantive rank of Captain, Major and Lieutenant Colonel after 2, 6 and 13 years of reckonable service respectively, approval for grant of re-employment to SSC officers after 14 years of service and grant of ex-servicemen status to SSC Officers on completion of their initial term of engagement. Further, additional proposals for making SSC more attractive including measures to increase monetary benefits have been taken up for inter-departmental consultations.

Army has undertaken sustained image projection campaign to create awareness among the youth on the advantages of taking up a challenging and satisfying career. Awareness campaigns, participation in career fairs and exhibitions, advertisements in print and electronic media, motivational lectures in Schools, colleges are some of the measures in this direction.

All the above mentioned measures have resulted in progressive improvement with shortage of officers reducing from around 26% in 2010 to approximately 15.9% (as on 1st January, 2017).

Various Regimental Centres across the country carry out training under their respective Line Directorates and the technological upgradation in each arm are taught in the Advance Military Training (AMT) of all respective Regimental Centres. As such, Army impart adequate training including latest technological upgradations to the Army personnel.

Recommendation (Para No. 53)

In the year 2016-17, the projected Revised Estimate of Indian Navy was Rs. 41,878.27 crore while allocation stood at Rs. 37,410.27 crore. The Budget Estimate 2016-17 was Rs. 39,424.88 crore. The Revised Estimate allocation is even less than Budget Estimate allocation leave aside the additional projection. The Committee have learnt, in this regard, that the Ministry of Defence took up the matter with Ministry of Finance for additional payments. However, the Ministry of Finance did not accede to the requirement. It has further been informed that slow pace of expenditure was cited as a reason on this count. Out of this amount, Rs. 19,348.23 crore was projected under Revenue Head while Rs. 17,813.99 crore was allocated. In Capital segment, Rs. 22,530.04 crore was projected and Rs. 19,596.28 crore was allocated. The Committee regret the trend of deficiency in the budgeting for the Service. Allocating a sum of money and then cutting it down will only lead to ad-hocism in the budgeting process. Further, it adds on to fiscal deficit in ensuing FYs. The apparent inadequacies in the approach towards Defence funding especially during the years 2016-17 and 2017-18 are regrettable. The Committee, therefore, desire that the budget system to be more specific and realistic.

Reply of the Government

It is seen in recent past that the funds allocated at BE stage are reduced at RE stage by Ministry of Finance. However, the additional requirement of funds in respect of Navy will be included/projected to Ministry of Finance at Supplementary/RE stage.

Recommendation (Para No. 54)

The Committee were updated by the representatives of Navy that the percentage of share of Navy to total Defence budget has declined over the years. From a level of 18.12 percent in the beginning of Twelfth Plan Period i.e. 2012-13 it gradually came down to 13.39 per cent in the current year. The Committee would like to emphasise here that the challenges in Maritime Domain require a capable and modern Navy. In order to achieve this, it is desirable that Indian Navy is provided requisite budgetary support of at least 18 per cent of a growing Defence budget for planned modernisation.

Reply of the Government

It is admitted that share of Navy has decreased in recent past in percentage terms when compared to Defence Budget, however it may be added that decrease in percentage cannot be taken as the only indicator to assess the well-being of Navy. The requirement of a particular Service varies from year to year especially under Capital head depending on Committed Liabilities and New Schemes in the pipeline among other factors. Since Ministry of Defence is bound by overall ceiling conveyed by Ministry of Finance, the reduction in the allocation has to be shared by each Service in the event of cut. However, it may be assured that all necessary steps will be taken to ensure that additional requirements of Navy are met to the maximum possible.

Recommendation (Para No. 55)

The Committee desired to be apprised about the modernization of Naval Base in Karwar. In this connection, the Committee have been told that all major works envisaged as part of Phase I of the Project have been completed. Phase I caters for infrastructure for 10 ships/ submarines and 10 yard craft. The Naval Base is being further augmented and upgraded as part of Phase IIA. The CCS sanction was accorded on 06 Dec 12 for Rs. 13,161 Crs on Jan 2010 rates for augmentation of infrastructure and other facilities over a ten year period (Rs. 19603 Crs with 6% escalation). Phase II A of Project Seabird caters for basing of 32 ships/ submarines, 12 FICs, and 23 yard craft along with all associated facilities and infrastructure. The Project Management Consultant (PMC) has since been appointed in Nov 2014, to undertake overall Project Management. By way updating further on the progress made in this area, the Committee have been apprised that as part of early works, nine surveys/site investigations/ studies have been ordered, of which four have been completed. The Letter of Acceptance for the first major critical work package MWC 1 (Dredging, Reclamation, Revetment and Quarrying) has been issued on 16 Jan, 17. While applauding the efforts being made, the Committee feel that the said Naval base is very crucial from strategic point of view. The landmarks achieved in this area should be furnished to the Committee in the Action Taken Replies (ATR).

Reply of the Government

The following landmarks/ milestones have been achieved towards execution of Phase IIA:-

(a) Detailed Design of all four Marine Work Packages has been completed.

(b) Third Party Design Review of all four Marine Work Packages has been completed by IIT Chennai.

(c) Contract for first Marine Works Package was signed on 02 March 2017.

(d) The tender for the first Residential Work Package (DB 1) has been issued on 14th March-2017.

(e) The process of appointment of Design Consultant for Dockyard and Fleet Base Building Package has been completed.

Recommendation (Para Nos. 56 - 57)

There are many agencies/stakeholders working in maritime domain. Nevertheless, it is incumbent upon Indian Navy, being the lead agency responsible for coastal security to take all possible measures towards ensuring coastal security. One of the essentialities is ample coordination among all the agencies. These agencies include Indian Navy, Indian Coast Guard, Ministry of Home Affairs, Coastal State Governments, IB, R&AW, Min of Agriculture/Fisheries, DG/Ministry of Shipping, Port and Customs Authorities, Ministry of P&NG, Private operators, CISF etc. The Committee should be informed about the measures taken to enhance coordination and collective response mechanism by various agencies.

Along with coordination, it is equally important that Navy should procure latest world-class surveillance equipments. Since there are multiple agencies/stakeholders in the maritime domain, it is pertinent that identification of threat perception is accurate and verifiable. For this purpose, the most advance technologies available in the world for monitoring and tracking devices/software should be procured. This will help in tracking the threat targets before any trouble is created and nipping the threat in the bud itself.

Reply of the Government

The following activities are being undertaken by *IN* to address the coastal security challenges:-

(a) The *IN* along with other agencies, such as, ICG, State Marine Police, Customs and Port Trust patrol the Maritime Zones of India, islands and adjacent seas using ships and aircraft to detect and check infiltration through the sea-routes.

(b) The *IN* has set-up Joint Operation Centres (JOCs) at Mumbai, Kochi, Visakhapatnam and Port Blair which are manned 24X7 by personnel from the *IN*, ICG and other agencies. These JOCs are supported by operation Centres/ Control Rooms of other stakeholder agencies to coordinate operational efforts. Coastal security operations are also undertaken bi-annually in all coastal States and UTs.

(c) *IN*-ICG has formulated state-wise SOPs for coordination among various agencies on coastal security issues.

(d) A National Command Control Communication and Intelligence (NC^3I) Networking interlinking 51 nodes of the IN and ICG has also been set-up

towards developing a common operational picture between the *IN* and ICG.

(e) Coastal security measures are regularly reviewed at multiple levels which include the National Committee for Strengthening Maritime and Coastal Security at the level of Cabinet Secretary and the Steering Committee for Review of Coastal Security (SCRCS) at the level of Secretary, Border Management in MHA.

Surveillance Measures. The following measures are being undertaken by *IN* to address the challenges pertaining to surveillance:-

(a) Coastal and Offshore Maritime Domain Awareness (MDA) is developed through a number of measures which include position reporting systems, information management systems, intelligence and open-source information.

(b) Electronic surveillance of the maritime zones is undertaken using coastal radars, offshore radars, National Automatic Identification and Tracking System. The surveillance systems are supplemented by deployment of ships and aircraft, which undertake surveillance of the maritime zones through integral sensor suite which include radars, EO systems, AIS receivers, etc.

The Committee, while examining the subject, came to know that the accidents are a continuous feature in Navy. The Committee opine that the Ministry of Defence must take onus for this as either poor quality procurement or improper maintenance or inadequate training is responsible for occurrence of frequent accidents. It is needless to say that all possible measures should be taken to check occurrence of accidents in the Service. To ensure this, everything from right procurement, right maintenance, right training and right execution needs to be done. In case an accident take place, appropriate penalty and punishment need to be metered out, if the mishap is found to be on account of deficiencies in maintenance etc.

Recommendation (Para No. 63)

The Committee, while examining the subject, came to know that the accidents are a continuous feature in Navy. The Committee opine that the Ministry of Defence must take onus for this as either poor quality procurement or improper maintenance or inadequate training is responsible for occurrence of frequent accidents. It is needless to say that all possible measures should be taken to check occurrence of accidents in the Service. To ensure this, everything from right procurement, right maintenance, right training and right execution needs to be done. In case an accident take place, appropriate penalty and punishment need to be metered out, if the mishap is found to be on account of deficiencies in maintenance etc.

Reply of the Government

1. In case of an accident involving Naval Ships, Submarines or Aircraft, a Board of Inquiry is convened, to establish facts of the case. The independent inquiry, after examining all the issues, arrives at the reasons for the incident. These are broadly categorised as crew or material failure. The Board of Inquiry also brings out the attributability of Blame and,

thereafter, administrative/ disciplinary action is initiated, post approval of BoI by the Competent Authority.

Several initiatives have been introduced based on emerging requirements to inculcate a '*think safety*' attitude amongst naval personnel and to strengthen the 'Safety Mechanism'. These include the following major initiatives:-

(a) A number of Safety Class Authorities (SCAs) have been setup to provide 'policy' at the Apex level to mitigate incidents/ accidents.

(b) Safety Audit of ships, submarines and aviation units have been institutionalised w.e.f. 27 February 2014. Safety Officer onboard every ship undertakes safety reviews and audit teams of respective Commands/ Operational Headquarters regularly audit ships, submarines and shore establishments. The feedback from the President of the Audit Boards and Command/ Operational Headquarters is being monitored at IHQ MoD(N) for suitably addressing mitigation measures. A quarterly review of all safety audits is undertaken by VCNS at IHQ MoD(N), with the last review having been recently conducted on 12 Apr 17.

Regular advisories from IHQ MoD(N) are being issued for adherence to Standard Operating Procedures which focuses on the following:-

(a) Concerted efforts required to be put in at all levels towards ensuring that a 'safety culture' is created and nurtured onboard all units.

(b) Maintenance of high standards of proficiency of equipment operators.

(c) Professional training in training establishments to further reinforce the basic skills of individuals in watch-keeping, bridge work and navigation.

(d) Examination of crew knowledge and drill relating to safety aspects in equipment/ machinery operations along with materiel preparedness.

(e) Audit of safety practices and review of orders at regular intervals to make them contemporary.

The Navy continues to keep safety at work and in operations in prime focus and constantly endeavours to minimise accidents/ incidents through the established process of sensitisation of personnel, adherence to safety check lists/ procedures and proper briefings/ debriefings.

Recommendation (Para No. 64)

In case of officers, the borne strength is 10,023 against a sanctioned strength of 11,553. There is a shortage of 1,530 Officers. In case of sailors, the sanctioned strength is 69761 whereas the existing strength is 57,871. This accounts to a shortfall of 11,890 which is to the extent of 17.04 percent. The Committee observe that along with desired force levels trained manpower is equally significant for an efficient and powerful Navy. They wish

that the Ministry of Defence take necessary steps towards mitigating the deficiencies of manpower. Adequate emphasis on up-gradation of training programmes based on latest technological developments also need to be incorporated. Reply of the Government

The Indian Navy has been undertaking various measures to mitigate the shortages of Officers and Sailors. The under mentioned measures adopted by the Navy have resulted in progressive reduction of shortages:-

(a) The Indian Navy has been undertaking Image Projection Campaigns which are reviewed and refined every alternate year.

(b) Following publicity actions are being undertaken to increase awareness about various entries and jobs in the Indian Navy:-

(i) Advertisements in print and electronic media.

(ii) Special stalls/helpdesks are set up at various *Exhibitions* and *Job Fairs*.

(iii) Hoardings are placed at key locations in cities.

(iv) Advertisements are also being placed in popular magazines/papers with Quick Response (QR) codes.

(v) Advertisements on job portals on the internet.

(c) Indian Navy visits a large number of schools and colleges across the country to spread awareness. University Entry Scheme (UES) is specifically designed to pick up candidates who are still in colleges.

(d) In order to make the naval career attractive to the country's youth, the *IN* offers the following incentives to NCC Cadets opting to join the Navy as Officers and Sailors:-

(i) A total of 12 vacancies out of the 90 annual vacancies of the Graduate Cadet Special Entry Scheme (GSES) are reserved for NCC 'C' certificate candidates. These candidates are exempted from appearing in the Combined Defence Services Examination.

(ii) The following incentives are being given to NCC cadets:-

(aa) The NCC candidates are given additional credit points which are added to the marks obtained in the written examination for preparation of merit.

(ab) In addition to the above, 25 vacancies are earmarked for candidates holding naval NCC 'C' certificate in the SSR Entry scheme.

(e) In order to connect with the young tech savvy generation, the Indian Navy's recruitment website has been provided with the facility for filing online applications and forwarding of call up letters on email. Further, online access to admit cards, results and merit list has also been introduced. The facility has reduced timelines and enhanced candidate satisfaction, while projecting the Naval recruitment process as transparent and candidate friendly.

(f) The current capacity of Indian Naval Academy (INA) is 750 trainees. The interim expansion of the capacity to accommodate 1200 officer trainees is likely to be completed by 2020. The enhanced training capacity would enable larger inductions, thereby reducing shortages at a faster rate.

(h) To augment the interviewing capacity provided by existing SSBs, the MoD has approved setting up of one SSB at Diamond Harbour, Kolkata. The infrastructure development at SSB at Diamond Harbour is being progressed. In addition, CCS approval has been accorded for setting up of one more Selection Centre comprising three SSBs for the Navy. Against this approval, one SSB has already been operational at a temporary location at Visakhapatnam since 28 July 2014. The complete Selection Centre is likely to be ready by 2019. Once operational, more number of candidates could be sent for SSB interviews thereby further facilitating larger inductions.

(i) B Tech curriculum has been introduced for officers at Indian Naval Academy (INA) since 2009. B Tech curriculum has also been introduced for cadets at NDA with effect from July 2016. Award of B Tech degree to 10+2 cadets on completion of four years training at the INA has also helped to attract the youths.

(j) The training capacity of INS Chilka has been enhanced from 1633 to 2100 trainees to mitigate the shortages.

Training in Indian Navy. Training in the Indian Navy is a dynamic and ongoing process. Training is aimed both to achieve and retain the skill sets to meet the desired combat standards for operating modern platforms in Service. The review of the training content and processes is constantly undertaken.

Modern naval warfare hinges on exploitation of complex technology in all three dimensions. Therefore, *IN* personnel today are required to be trained to effectively and efficiently operate modern naval platforms/ assets which employ a wide array of high technology systems and equipment. To ensure the officer cadre is better equipped to operate and maintain these technology intensive equipment, B Tech curriculum (instead of only BSc as hitherto) has been introduced as the basic qualification for officers in the *IN* w.e.f. 2009. The first batch of B Tech officers following the revised training pattern have graduated from the Indian Naval Academy (INA) in May 2013. Similarly, B Tech for National Defence Academy has also commenced w.e.f. July 2016.

To mitigate the infrastructure shortage at various training establishments, the Maritime Infrastructure Perspective Plan (MIPP) 2015-27, has been drawn up by IHQ

MoD(N) and is being executed through the AMWP/ Project route. The plan comprehensively caters for the envisaged civil and other works for all future training infrastructure requirements of the Indian Navy including those required for Indian Coast Guard and foreign trainees up to the year 2027.

In keeping with the advancements in technology, modern and sophisticated training aids which are actual working models of the real equipment are being inducted into the Navy. Additionally, modern simulators for ships, submarines and aviation systems have also been installed. In addition, computer-based training packages are being extensively exploited for imparting training in all professional schools for both officers and sailors across the Navy. The status of induction of training aids and simulators is periodically reviewed.

Recommendation (Para Nos. 65 - 66)

The Committee note that the Head Quarters - Integrated Defence Staff is a growing organisation. The role of the organisation is critical, particularly from the point of view of intelligence gathering and dissemination. Major requirement of funds is for the purpose of building infrastructure for 'new raisings' and to maintain the existing operational assets. The Revenue allocation for the 'joint staff' in 2017-18 is Rs. 2394.62 crore. Out of this allocation, the salary part is Rs. 1628.45 crore while non-salary part is Rs. 766.17 crore. The allocation in regard to 'non-salary expenditure' in RE 2016-17 was also Rs. 766.17 crore. Thus, there is no increase in the allocation. The Committee have been informed that additional funds will be critical at the stage of RE 2017-18. Accordingly, the Committee wish that necessary funds be released for the organisation.

The Capital allocation for the organisation in BE 2017-18 is Rs. 744.45 crore. At the stage of RE 2016-17, it was Rs. 854.10 crore. Hence, there is a decrease in budget by 12.84 per cent as compared to that of the previous year. Especially, in the segments of the Capital Budget that pertain to matters other than acquisition, the decrease is upto an extent of 27.04 per cent. In this connection, the Committee note that approval of the Cabinet has been received for building the National War Memorial and National War Museum, for which the estimated requirement in the year 2017-18 would be around Rs. 50 Cr. The Committee observe in this regard that additional funds under 'Capital Head – other than Acquisition' section would be inescapable at the RE stage. Therefore, it needs to be ensured that the funds necessary are channelised under this Head of account.

Reply of the Government

The demand for additional requirement of funds under Revenue head in respect of Joint Staff will be taken-up with Ministry of Finance at RE stage.

The demand for additional requirement of funds under Capital head in respect of Joint Staff will be taken-up with Ministry of Finance at RE stage.

Recommendation (Para Nos. 76 - 77)

The Committee found that during the last 10 years, the number of contracts signed with Indian vendors for procurement by the Air Force has only declined. In 2007-08, 24 contracts worth Rs. 15,06,954 crore were signed, while in 2016-17 (upto Dec,16) it has come down to only 03 contracts worth Rs. 268.10 crore. The Committee are perturbed to observe that the statistics do not resonate with the conceptual emphasis of the Government on `Make in India'.

In 2016-17, a total budget of Rs. 22,222,34 crore was actually spent on modernization. The Committee note in this regard that out of this amount, only Rs. 268.10 crore i.e. nearly 1% of the ‘spending’ was signed with Indian vendors. Therefore, the Committee recommend that the Ministry of Defence must pay real stress on design and development and the 'Make in India' initiative.

Reply of the Government

During the Financial Year 2016-17, a total of Rs. 28,034.24 crore has been spent on modernisation which includes Rs. 11,540.71 crore for Indian vendors, amounting to 41.16% of the total expenditure. The details of IAF Capital Acquisition for procurement of Defence equipment in the last four FY from Indian and foreign vendors is placed below:-

'All figures in Rs. in crore'

FY	INDIAN VENDORS						FOREIGN VENDORS		TOTAL
	PSUs	%	Others	%	Total Indg	Total % (Indg)	Value	%	
2013-14	15399.36	41.71	591.09	1.60	15990.45	43.31	20927.54	56.69	36917.99
2014-15	15113.67	49.06	1039.96	3.38	16153.63	52.43	14655.75	47.57	30809.39
2015-16	15138.40	52.12	1338.58	4.61	16476.98	56.73	12568.68	43.27	29045.67
2016-17	9380.77	33.46	2159.94	7.70	11540.71	41.16	16497.53	58.84	28034.24
Final CGDA compilation for the financial year 2016-17 is awaited									

Recommendation (Para Nos. 78 - 79)

The acquisition of weapon systems and equipment for the Armed Forces flows from the LTIPP. The current LTIPP, 2012-27, covers 4 plan periods. Out of this, during the 12th Plan period 55 contracts (upto Dec. 2016) with cumulative value of Rs. 1,39,740.58 crore were signed for capital acquisition of IAF. During the 11th Plan period, 98 contracts with cumulative value of Rs. 1,34,960.5 crore were signed.

A list of equipment and weapon systems that are required to be procured immediately is listed in the form of Annual Acquisition Plan (AAP). AAP, 2016-18, has 187 schemes which are at various stages. The Committee are perturbed to find that out of 187 schemes, only 10 contracts could be signed and 14 schemes have been dropped. 117 schemes are at AoN stage. The Committee wish that Ministry of Defence actively participates in negotiating and finalizing deals. Air force has capability deficit and therefore, it is absolutely essential that further deficit is contained. Also, mitigation of existing gaps for developing capabilities of the Service for a 'two front war' is a necessity.

Reply of the Government

Efforts are made to ensure that all procurement cases are initiated well in time so as to avoid creating a capability void and to ensure that critical capability is available to execute entrusted tasks. Capital Procurement is undertaken in accordance with the Defence Procurement Procedure (DPP), which lays down timelines for various stages of the procurement process. All efforts are made to adhere to these laid down timelines. Periodic reviews are carried out to ensure that the procurement schemes progress as per the laid down time lines and the final product is operationally capable while being technologically relevant. The revised DPP 2016 includes several initiatives to ensure faster procurement.

Recommendation (Para No. 82)

One of the important projects earmarked for 2017-18 includes New Generation Hardened Ac Shelters (NGHAS). This is a Specialized Structure to protect Combat Aircraft from Direct HIT of a 2000 LBS BOMB. There is a proposal for 108 NGHAS at a cost of Rs. 5400 crore. For this purpose, the cash outflow would be to the tune of Rs. 270 crore for Phase-I work services, which involve construction of 36 NGHAS. The Committee note in this regard, that as the IAF is already short of combat strength, protection of existing fleet becomes even more crucial. Therefore, the project needs to be taken up at an appropriate pace and necessary funds provided.

Reply of the Government

A case of 108 NGHAS at a cost of Rs. 5400 crore was initiated in 2012-13. AoN for constructing the NGHAS by the DRDO was accorded on 20 December 2012. The case is under process for obtaining sanction of the CCS. A proposal to rework the project in three phases within a distance of 100 km, 200 km and balance bases respectively with a gap of 2 years in each phase is under consideration.

Recommendation (Para Nos. 86 - 88)

The Committee have been informed that Modernisation of IAF airfields is being undertaken through the Modernisation Air Field Infrastructure project (MAFI), the contract for which was signed in 2011 at a cost of Rs. 1,220 crore. In this project, modernization of 52 IAF airfields (excluding Kargil) is planned in two phases. Phase-I comprising of 30 IAF airfields is under execution in five batches of six airfields each. Further, it has been informed that pilot project at model base, `Bathinda' and 14 other bases has been completed and three more bases were likely to be commissioned by February, 2017. The project is in progress at 06 Batch-IV airfields. The Committee, while deliberating on the DFG 2017-18 found that six airfields, namely Bhuj, Ambala, Hashimara, Agra, Pathankot and Jaisalmer are targeted for completion by June, 2017. In addition to this, six airfields namely AFA (Dundigal), Sirsa Chandigarh, Chabua, Utterlai & Sulur are targeted for completion by July 2017.

The Committee note that the MAFI project was signed in 2011. After a passage of more than six years Phase-I is yet to be completed. The Committee would like to be apprised of the status in regard to completion of construction of remaining airfields under Phase-I. For runway resurfacing, Rs. 145.22 crore has been allocated in Revised Estimate 2016-17 while Rs. 235.22 crore has been allocated in BE 2017-18.

The Committee, while appreciating the pace at which the Phase-II work has started off, although after a delay, emphasise on ensuring that the targets are achieved.

Reply of the Government

The MoD is in the process of upgrading the navigational facilities at all its airfields under the Modernisation of Airfield Infrastructure (MAFI) Project to improve operational environment and enhance aerospace safety. Contract for Phase-I of this turnkey project was signed with M/s TATA Power (SED) on 16 March 2011 for modernisation of 30 IAF airfields in five batches of six airfields each. Bathinda was developed as model airfield and declared operational on 25 March 2014. Eighteen airfields including the model base have been

commissioned as part of Batches-I, II and III. Project completion at six Batch-IV bases is expected to complete by July 2017 and MAFI Project Phase-I is expected to be completed by June 2018.
For runway resurfacing, Rs. 235.22 crore has been allocated in BE 2016-17, Rs. 145.53 crore has been allocated in RE 2016-17 and Rs, 145.54 crore allocated in Modified Appropriation 2016-17. An amount of Rs. 224.89 crore has been allocated in BE 2017-18 under runway resurfacing. Runway resurfacing works at Barrackpore and Bagdogra have been sanctioned in AMWP 2016-17.

Contract for MAFI Phase-I was signed with M/s TATA Power (SED) on 16 March 2011. A model airfield was designated in the contract to address various integration issues involved in de-novo induction of advanced equipment of various OEMs. Critical Design Review of the project was completed and project design was finalised on 18 April 2013. 'Go-Ahead' for the project to be executed at remaining 29 airfields of MAFI Phase-I was given on 30 April 2013. Acceptance Test Procedures for commissioning of the model base were completed on 24 March 2014. The current (as on 28.06.2017) status of these airfields is appended below:-

S.No	Location	Modernisation Status
AIRFIELDS IN WESTERN AIR COMMAND		
1.	Adampur	Airfield Modernisation completed
2.	Ambala	Modernisation project in progress
3.	Awantipur	Modernisation planned in phase-II
4.	Bhatinda	Airfield Modernisation completed
5.	Chandigarh	Modernisation planned in phase-I
6.	Halwara	Airfield Modernisation completed
7.	Hindan	Airfield Modernisation completed
8.	Jammu	Modernisation planned in phase-II
9.	Kargil	Not included in MAFI project
10.	Leh	Modernisation planned in phase-II
11.	Nal (Bikaner)	Modernisation planned in phase-II
12.	Pathankot	Modernisation project in progress
13.	Sarsawa	Modernisation planned in phase-II
14.	Sirsa	Modernisation planned in phase-I
15.	Srinagar	Modernisation planned in phase-II
16.	Suratgarh	Airfield Modernisation completed
17.	Thoise	Modernisation planned in phase-II
18.	Udhampur	Modernisation planned in phase-II
AIRFIELDS IN EASTERN AIR COMMAND		
19.	Bagdogra	Airfield Modernisation completed
20.	Barrackpore	Modernisation planned in phase-II
21.	Chabua	Modernisation planned in phase-I
22.	Hashimara	Modernisation project in progress
23.	Jorhat	Airfield Modernisation completed
24.	Kalaikunda	Airfield Modernisation completed
25.	Panagarh	Modernisation planned in phase-II
26.	Purnea	Modernisation planned in phase-II
27.	Kumbhigram	Modernisation planned in phase-II
28.	Tezpur	Airfield Modernisation completed
AIRFIELDS IN CENTRAL AIR COMMAND		
29.	Agra	Modernisation project in progress

S.No	Location	Modernisation Status
30.	Allahabad	Modernisation planned in phase-II
31.	Bakshi-Ka-Talab	Modernisation planned in phase-II
32.	Bareilly	Airfield Modernisation completed
33.	Bihta	Modernisation planned in phase-II
34.	Dharbanga	Modernisation planned in phase-II
35.	Gorakhpur	Airfield Modernisation completed
36.	Gwalior	Airfield Modernisation completed
AIRFIELDS IN SOUTH-WESTERN AIR COMMAND		
37.	Bhuj	Modernisation project in progress
38.	Jaisalmer	Modernisation project in progress
39.	Jamnagar	Airfield Modernisation completed
40.	Jodhpur	Airfield Modernisation completed
41.	Naliya	Airfield Modernisation completed
42.	Phalodi	Modernisation planned in phase-II
43.	Pune	Airfield Modernisation completed
44.	Uttarlai	Modernisation planned in phase-I
AIRFIELDS IN SOUTHERN AIR COMMAND		
45.	Sulur	Modernisation planned in phase-I
46.	Thanjavur	Modernisation planned in phase-II
AIRFIELDS IN TRAINING COMMAND		
47.	Bidar	Airfield Modernisation completed
48.	Hakimpet	Modernisation planned in phase-II
49.	Dundigal (AFA)	Modernisation planned in phase-I
50.	Tambaram	Modernisation planned in phase-II
51.	Yelahanka	Airfield Modernisation completed
AIRFIELDS IN MAINTENANCE COMMAND		
52.	Kanpur	Modernisation planned in phase-II
AIRFIELDS IN ANDAMAN NICOBAR COMMAND		
53.	Carnicobar	Modernisation planned in phase-II

The Proposal for seeking review of AoN to bring all 37 airfields in MAFI Phase-II under the 'Option Clause' of MAFI Phase-I contract was taken up with DAC. DAC meeting held on 28 September 2016 has accorded AoN for the modernisation of 37 airfields in MAFI Project Phase-II under the 'Option Clause' to Contract No. Air HQ/S 99754/6/C[4] ISR dated 16 March 2011. Accordingly LoI was issued to M/s Tata Power (SED) on 15 December 2016. In response to the LoI, M/s Tata Power (SED) had submitted Draft Supplementary Contract on 21 March 2017. The matter is being progressed.

Recommendation (Para Nos. 89 - 90)

The Committee have been informed that six ALGs namely Along, Pasighat Walong, Tuling, Mechuka and Ziro are operational in the North East. The Committee note in this regard that the North-Eastern ALGs have been completed. The work for ALG at Tawang is in progress and is to be completed by 30 June, 2017. The Committee desire that every step needed is taken to ensure that the work is completed in time, and the Committee be intimated of the same.

With regard to Vijayanagar ALG, the Committee have been informed that the work could not be taken up due to non-availability of road connectivity from Miao to Vijayanagar.

Therefore, Vijayanagar ALG was removed from the sanctioned CCS work. The road is reportedly under construction now under Pradhan Mantri Sadak Yojana. The Committee would like the Ministry of Defence to take up the matter of speedy completion of the construction work and kept apprised of the progress.

Reply of the Government

Improvement of infrastructure at 10 existing airbases in EAC AOR and development of seven ALGs in Arunachal Pradesh at a total cost of Rs. 1,753.32 crore was sanctioned in June 2009. After the initial CCS approvals for Rs. 1,753.32 crore on 26 June 2009, there has been major increase in cost of the project. To meet all these requirements, a revised CCS sanction at a cost of Rs 2,402.34 crore has been accorded vide GoI MoD letter 4(1)/2014/D (Air-II) dated 03 December 2015.

The entire project comprises of upgradation of seven ALGs, construction of Su-30 aircraft hangars at four bases, runway resurfacing at four bases and security infrastructure at 10 bases. For the sake of convenience, the project has been divided into two phases.

Phase-I works comprising of runway resurfacing at two bases, upgradation of six ALGs and construction of ALH hangar at Tezpur have been completed. Work is in progress at Tawang ALG and is scheduled for completion in Jun 17.

Phase-II works comprising of runway resurfacing of two bases, security infrastructure at 10 bases and construction of aircraft hangars at four bases is under tender action.

Work for six ALGs has been completed. Work services are in progress at Tawang, which are expected to be completed by end July 2017.

Recommendation (Para Nos. 26 - 28)

During deliberations on DFG 2017-18, the Committee have learnt that in the case of officers, the sanctioned strength is 12,458 while held strength is 12,021. Hence, there is a shortage of 437 officers.

In the case of Airmen, the present sanctioned strength is 1,41,623 while the held strength is 1,2,8,622. Thus, the shortage is to the extent of 13,001 personnel. The Committee wish that the gaps in officers & Airmen categories are filled.

Along with recruitment, adequate training facilities is equally important. In this regard, the Committee have been informed that in the FY 2017-18 there is proposal for enhancing training capacity at the Air Force Academy. The Committee view this as an inescapable requirement. The Ministry of Defence needs to take necessary action in this area.

Reply of the Government

The Government sanctioned Establishment and Strength of officers (except Medical & Dental branch) in IAF, as on 01st April, 2017, is as follows:-

Establishment	Strength
12464	11989*

* Difference of 475 is a variable figure which keep fluctuating depending on Commissioning cycle, premature separation of officers etc. and is considered negligible for such calculations. The induction plans are revamped so as to gradually bring the strength at

par with the sanctioned establishment. In addition, due to robust cadre management planning and implementation, there is likely to be no shortage of officers in the IAF is due course.

As on 01st April, 2017, sanctioned strength is 1,41,792 while the held strength is 1,27,274. Thus, the shortage is of 14,518 personnel. A total of 5,157 airmen have been inducted during the year 2016. This has been gradually increased to 6,200 per annum in 2017 and will be sustained thereafter. With this, IAF will be able to bring the strength at par with the authorized establishment in due course.

Based on the Long Term Manpower Induction Plan for officers in the IAF, need was felt for increasing the training capacity at AFA from 480 to 750 trainees. RM accorded In-Principle Approval for the plan on 21 Dec 13. Based on the approval, plan for infrastructure enhancement at AFA was prepared. The plan was reviewed in Jan 17 and the infrastructure enhancement was divided into the following two phases:-

(a) Phase-I. Capacity to increase from 480 to 600 in the period 2017-18.

(b) Phase-II. Review requirement and increase capacity from 600 to 750 in the period 2019-2023 is required.

(B) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT AND TO BE COMMENTED UPON:

Recommendation (Para Nos. 10 & 11)

The capital allocation to Army in BE 2017-18 is Rs. 25,254.32 crore. This allocation is made against a projection of Rs. 42,500.93 crore, thereby amounting to a shortfall of Rs.17,246.61 crore. The capital budget allocated is approximately to the tune of only 60 per cent of the resources sought. Moreover, the amount of Rs. 25,254.32 crore is also intended for requirements pertaining to National Cadets Corps (NCC), Director General Quality Assurance (DGQA), Rashtriya Rifles etc. Thus, the actual capital allocation that would be available for the exclusive use of the Army would become even lower. In so far as the capital segment is concerned, funds are first set aside to meet the Committed Liabilities that are likely to materialize during the year. The remaining resources are distributed to meet the requirements envisaged for other capital acquisitions/procurements etc. The Committee note in this regard that the priority, as far as capital expenditure is concerned, is for meeting the existing committed liabilities and the liabilities which are being carried forward from 2016-17 to 2017-18. The likely expenditure on this count itself viz. committed liabilities is said to be amounting to Rs. 23,000 crore.

Since Committed Liabilities are already in the pipeline for being met, the reduction in the allocation is expected to delay the process of initiation of new projects. This, in the opinion of the Committee, will certainly hamper the modernization process of Indian Army. Therefore, the Committee recommend that the additional funds to the tune of Rs. 13,000 crore at least, as demanded by the Army be made available to them during the FY 2017-18.

Reply of the Government

The demand for additional requirement of funds in respect of Army will be included/projected to Ministry of Finance at Supplementary/ RE stage.

(Please see Para No. 7 of Chapter-I of the Report)

Recommendation (Para Nos. 19 & 20)

The Committee note that there has been a continuous trend of under spending during the 11th and 12th Plan Periods. Especially, during the 12th Plan Period, the under spending is more evident. During the first four years of the 12th Plan Period, the allocation made to Army for capital acquisition was Rs. 55,771.10 crore whereas the expenditure incurred was Rs. 49,600.28 crore. Hence, Rs. 6,170.82 crore remained unutilized over a span of four years. The Twelfth Plan Period envisaged many critical acquisitions for Army including Bullet Proof Jackets, ammunition items and latest weapons. However, the under-utilization of the allocated amount is indicative of adopting an apathetic attitude towards equipping soldiers with latest-state-of-the-art equipments. This, in turn can lead to increased instances of harm, including casualties amongst soldiers. The Committee regret the grim situation and earnestly desire that necessary steps be taken towards critical acquisitions/procurements for Indian Army.

While enquiring on the aspect of under spending and the slow pace of expending the budgeted amounts, the Committee were surprised to note that there were many proposals pending in the Ministry of Finance for approval. Therefore, the Army has not been able to spend the money on the projects planned. The Committee take serious note of the fact that while on one hand, the Ministry of Finance cites the aspect of slow pace of spending as the reason for making lesser allocations, on the other, there are some crucial proposals lying with the Ministry and are pending approval. The Committee, in this regard, would emphasise on ensuring that this scenario is changed to yield place to an objective and transparent budgeting system. The Committee desire that this issue be pursued with the Ministry of Finance at the highest level so as to rectify the prevailing situation.

Reply of the Government

Ministry of Defence is taking action to meet the operational requirement of the Army. Several measure have been incorporated in the Defence Procurement Procedure (DPP)-2016 to cut down the procurement timelines. Further, all procurement cases are being monitored closely at various level to ensure that cases materialize in a timely manner.

During 2016-17, 11 contracts for Capital Acquisitions for Army were signed with Indian and foreign vendors at a total value of Rs. 12,588.06 crore for procurement of various equipment, including Artillery Guns, Missiles, Rocket Launcher System, Simulator and Ballistic Helmets.

During the same period, DAC accorded Acceptance of Necessity to 8 capital procurement cases for Army, with estimated cost of Rs. 19,120.89 crore, out of which 4 cases are under 'Buy Indian' category at the cost of Rs. 16,469.14 crore and 2 cases are under 'Buy (Indian-IDDM) at cost of Rs. 1,684.13 crore.

The Present status of some of the major acquisitions for Army are given below:-

Assault Rifle A new 5.56 Assault Rifle was developed by Armament Research and Development Establishment (ARDE), Pune, DRDO and OFB. The weapon prototypes were subjected to technical trials in Sept and Oct 2015 and User evaluation trials were carried out in November & December 2015. In February, 2016 Alteration Committee approved modifications in the existing INSAS 1 B rifle.

Meanwhile, AHQ has decided to procure Assault Rifles 7.62x51mm, based on adoption of a different operational philosophy. DAC vide decision dated 27.01.2017 has accorded AoN for procurement of 7.62x51mm Caliber assault rifle under 'Buy Global' category. Simultaneously, the OFB is in the process of development of the weapon and the same is planned to be fielded for user evaluation at the earliest.

Artillery Gun

The government has accorded approval of acquiring new artillery guns through five procurement cases that also involve indigenous production, including at Ordnance Factories. The status is as follows :-

i. LOA was signed with the US Government for procurement of 145 numbers of 155mm/39 calibre Ultra Light Howitzers (ULH) through FMS route.

ii. A contract has been signed with M/s L&T for procurement of 100 numbers of 155mm/52 calibre Tracked Self Propelled Guns.

iii. An indent has been placed by MoD for Procurement of 114 numbers of 155mm/45 calibre Electronically upgraded Gun system from OFB, Kolkata.

iv. A case for procurement of 400/1180 Towed Gun System is at trial stage.

v. A case for upgunning of 130 mm guns to 155 mm guns is at trial stage.

Recommendation (Para Nos. 50 - 52)

In Budget Estimate 2017-18, the projection made by Navy and allocation given by Ministry of Defence are Rs. 51,065.20 crore and Rs. 37,841.98 crore respectively. There is a deficit by Rs. 13,223.22 crore. In the contemporary times, safety and security of the country is far more dependent on sea frontiers. Besides security aspect, benign roles of Navy are also multi-faceted which include, humanitarian assistance during natural disasters. Therefore, a potent and capable Navy is essential not only for Defence purpose but also economic and diplomatic edge of the country. To attain this, long term budgetary support is pre-requisite. On the contrary, a budget deficit of nearly 25% will indeed have cascading affect on operational preparedness and technological upgradation of Navy. It is therefore desirable that required funds are provided to Indian Navy.

Revenue Allocation in BE 2017-18, consists of Rs. 16,499.20 crore made against a projection of Rs. 19,733.18 crore. Out of the total Revenue Budget, Rs. 8511.57 crore is meant for Pay and Allowances. This accounts for 53 per cent of allocation. Thus, Rs. 7927.63 crore is left for non-salary expenses which include stores, fuel, etc. these components are extremely crucial for the `Preparedness' of the Service. The Committee believe that the budget crunch would also affect the training and maintenance aspects which are essentially critical as inadequacies on this front may lead to accidents and causalities. Besides, growth in Revenue Budget needs to factor for inflationary trends also. The Committee found that for the first time in 25 years, the Pay and Allowances component has exceeded the Other Heads. The Committee regret the not-so-happy state-of-affairs prevailing and desire that additional allocation must be made available to Navy under Revenue Head.

The Capital part of the Budget is Rs. 18,603.71 crore made against a projection of Rs. 27,546.49 crore. The Capital segment comprises of two main components of Committed Liabilities and New Schemes. The representatives of Navy submitted before the Committee that BE 2017-18 is even less than the amount required on account of existing Committed Liabilities. This year, the allocation is Rs. 18,000 crore in the capital budget whereas the committed liabilities itself is to the extent of Rs. 22,000 crore. On this point, the Committee are worried that if the Committed Liabilities are not managed during the current year, it will spill over to the next year automatically which would mean that Navy's new schemes to be finalized during the next year will get affected. This is tended to become cyclic. The Committee would like the Ministry of Defence to ensure that appropriate measures are taken to rectify the situation by way of assuring adequate Budgetary provisioning to Navy.

Reply of the Government

The demand for additional requirement of funds in respect of Navy will be included/projected to Ministry of Finance at Supplementary/RE stage.Ministry of Finance conveys ceilings for Revenue (Salary and Non-Salary separately) and Capital Expenditure. Based on ceilings conveyed by Ministry of Finance funds are allocated to the Services. Since there has been no increase in BE 2017-18 under Non-Salary segment as compared to BE 2016-17, no increase could be effected in Navy’s Non-Salary budget for 2017-18. However, the demand for additional requirement of funds in respect of Navy will be included/projected to Ministry of Finance at Supplementary/RE stage.

The demand for additional requirement of funds in respect of Navy will be included/projected to Ministry of Finance at Supplementary/RE stage.

(Please see Para No. 16 of Chapter-I of the Report)

Recommendation (Para No. 58 - 62)

The Committee have been informed by the Ministry of Defence that Emergency Cabinet Committee report of 1964 approved Force Level of 138 ships and submarines. Meanwhile maritime security environment has undergone considerable changes. Keeping this, in view, in 2012, Defence Acquisition Council (DAC) approved a strength of 198 ships and submarines by 2027. The presently held force level by Indian Navy is 123 ships, 15 submarines and 235 aircraft. The Committee note that there are huge deficiencies in authorized and existing level of ships, submarines and aircraft. Moreover, while examining the Demands-for-Grants of the Ministry of Defence 2016-17, the position with regard to the existing Force Level was exactly the same as it stands now. Not even a single increase in the strength of platform held by Navy has been witnessed. This depicts lackadaisical approach of the Ministry. The Committee view this as an unfortunate state-of-affairs for in the contemporary military parlance, Navy is required to be a potent and strong Force.

With regard to ships and submarines, the Committee have found that there are some major Projects in progress aimed at alleviating the capabilities gaps. These procurements/acquisitions programme include 46 Ships and Submarines under construction in India. The Committee have been further informed by the representatives of Navy that there is a need to give impetus to replace ageing platforms, Induction of Indigenous Aircraft Carrier, P 15B and P 17A Ships. The Committee wish that all the projects are progressed in time-bound manner and they would like to be apprised in detail about the progress of these projects in the Action Taken Replies.

Presently Navy is working with 15 submarines as against planned force level of 18 conventional submarines. Moreover, these submarines are 16 to 30 years old. In order to acquire the desired level, currently, six P-75 submarines are under construction at Mumbai Dockyards Limited, Mumbai. In addition to this, Medium Refit Life Certification (MRLC) of submarines is undertaken and case for six P-75 submarines is being progressed as per directives of Ministry of Defence, under strategic partnership model. The Committee would like to be informed about the details of progress made with regard thereto.

As regards, Mine counter Measure Vessels (MCMVs), the Committee have been apprised that the six MCMVs in operation are over 26 years old. Therefore, rapid induction of MCMVs must be taken care of.

Aircraft/ Helicopters are critical for surveillance and Stand-off targeting at sea. Presently there is a deficiency to the extent of 61 integral helicopters on existing ships. In order to make up the deficiency, mid life upgrade of 28 Kamov helicopters is being undertaken. Also, case for multi role helicopters is being progressed. In addition to these, case for P81 Boeing aircraft is in an advanced stage of acquisition, and cases for 12 Dornier aircraft and Nine Medium Range Maritime Reconnaissance Aircraft are also in progress. The Committee wish that these cases proceed in right direction and at right speed. Details regarding their progress be made available to the Committee within three months.

Reply of the Government

The present status of ships and submarine under construction at various public and private shipyards is as follows:-

1. Status of Induction of IAC-I. The IAC-I project is presently at an advanced stage of construction with 99% of the hull work and 60% of the outfitting having been completed.

Availability of certain critical Aviation equipment being sourced from Russia for the project is being expedited. An 'Expert Committee' has been constituted for IAC Project on 20 May 2015, for periodic monitoring (once in three months) of the IAC project. The Committee is periodically reviewing physical and financial progress of the Project to identify critical activities having a bearing on timely completion of the Project and suggests suitable corrective measures. The Committee provides necessary advice to the Shipyard on issues related to time and cost overruns of the Project. As per the approved delivery schedule, the IAC-I has to be delivered in December, 2018.

2. Project 15B. The contract for the construction of four P-15B destroyers was signed with M/s MDL on 28 January 2011. The first two ships have been launched in April 2015 and September 2016 respectively. As per contract, the ships are envisaged to be delivered during the period 2018-2024. However, the delivery of the first three ships of Project 15B scheduled in 2018, 2020 and 2022 needs to be rescheduled due to delay in supply of certain equipment sourced from Russia (GTs) / Ukraine (GTGs), BFEs (MR Gun, ATAS, ATDS, AEW Radar, SSR and FPG) and procurement of LRSAM / MFSTAR and these are now expected to be delivered in 2021, 2022 and 2023 respectively. There will be no delay in the overall project timelines with the last ship to be delivered in July 2024.

3. P 17A. The contract for construction of seven P-17A Frigates was signed with M/s MDL (four ships) and M/s GRSE (three ships) on 20 February 2015. As per contractual provisions, the ships are to be delivered during the period 2022-25. The interim two year period between contract signing and commencement of production has been utilized to ensure required design maturity for Integrated Construction. Accordingly, 97% functional design deliverables have been handed over by *IN* as on date and MDL has progressed on its detailed design and equipment procurement activities.

4. P-75 Submarines. Six P-75 submarines are being built by M/s MDL and the sea trials of the first submarine have commenced wef May 16. The delivery of the first submarine is planned in June 2017. The second P-75 submarine was launched on 12 January 2017 and is planned for delivery by December 2017. The balance four submarines are at various stages of construction and the last submarine is planned to be delivered by June, 2020.

5. Project 28 Corvettes. M/s GRSE is undertaking the construction of four ships of Project 28 and the first two ships, INS Kamorta and INS Kadmatt have been commissioned in August 2014 and January 2016 respectively. The third and fourth ships are likely to be delivered by mid 2017 and end 2018 respectively.

6. LCUs MK IV. Eight LCU MK IV ships are being constructed at M/s GRSE to replace the older Mk III LCUs. The first ship was delivered to *IN* in September 2016 and was commissioned on 29 March 2017 at Port Blair. The balance LCUs will be delivered in 2017 (three) and 2018 (four).

7. Follow On Water Jet FACs (FO-WJFACs). Four FO-WJFACs are being constructed at M/s GRSE and the first three ships have been commissioned in May 2016, October 2016 and March 2017. The fourth FO-WJFAC is likely to be delivered by May 2017.

8. NOPVs. The contract for construction of five Naval Offshore Patrol Vessels (NOPVs) was awarded to M/s Pipavav Defence and Offshore Engineering Co. Ltd. (now renamed as Reliance Defence and Engineering Ltd), Gujarat on 27 May 2011 at a 'fixed and firm' cost. The contracted delivery schedule of the ships was November 2014 for the first NOPV and subsequent ships at an interval of six months each. The project was delayed initially in view of the change in vendor's design partner and subsequently due to design issues, deteriorating financial health of the shipyard and change in management. The change in management and take over by M/s Reliance Defence and Engineering Limited (RDEL) was completed on 18 January 2016. The ships are likely to be delivered by 31 October 2017, 31 December 2017, 30 April 2018, 30 June 2018 and 30 August 2018 with a delay of 35 months, 31 months, 30 months, 25 months and 21 months respectively.

9. 1. P-75 Submarines. Six P-75 submarines are being built by M/s MDL and the sea trials of the first submarine have commenced in May 2016. The delivery of the first submarine is planned in June 2017. The second P-75 submarine was launched on 12 January 2017 and is planned for delivery by December 2017. The balance four submarines are planned to be delivered by 2020.

10. Project 75(I). In the second part of Phase I of the 30 Years Submarine Building plan approved by CCS in 1999, six submarines are planned to be constructed as part of Project P-75(I). The DAC, on 25 October 2014, accorded approval for construction of all six submarines of P-75(I) by an Indian Shipyards (with ToT from a foreign collaborator) in India. The DAC, inter alia, had also approved constitution of a multi-disciplinary Core Committee for identification of suitable Indian Shipyards. The Core Committee had submitted the report to MoD on 08 May 2015 and when the same was tabled at DAC on 01 September 2015, Hon'ble RM directed that the project be studied based on Strategic Partnership model as indicated by Experts Committee. A Task force under Dr VK Atre (ex-DRDO Chairman) was set up by MoD to study the Strategic Partnership Model for future high end technology inductions. The report of the Task Force was submitted in January 2016. Keeping in mind the delays in promulgation of the SP Model, DAC on 14 July 2016 accorded approval for extension of AoN for P75(I) submarines by 18 months i.e. till 06 February 2018. The case will be progressed on the Strategic Partnership model.

11. MRLC of Submarines. The AoN of DAC was accorded on 29 August 2014 for MRLC of six submarines. The present status of activities related to MRLC is as follows:-

12. (a) Sindhukesari. The Contract for MRLC of Sindhukesari was concluded on 14 October 2015 at a cost of 188.18 MUSD (Rs. 1197 crore) and the submarine is presently undergoing MRLC at Zvyezdochka shipyard, Russia. On completion of the refit, the submarine would sail back to India in October 2018 and be in service for another 10 years post completion of MRLC.

13. (b) Sindhuraj. The CNC for MRLC of INS Sindhuraj at Russian yard was concluded on 03 February 2017 at a negotiated cost of 207.3 MUSD. The submarine will be transported to Russia in mid May 2017 and the refit will commence in July 2017.

14. (c) Sindhuratna. The MRLC of Sindhuratna is to be undertaken at an Indian yard with Russian OEM's assistance from end 2017 onwards. The Russian Side, in December 2015, had intimated M/s L&T as the selected Indian Shipyard for undertaking this MRLC. Accordingly, L&T and Russian OEM (Zvyozdochka Shipyard) have concluded contract for transfer of Principal Refit Technology. The case for undertaking MRLC of Sindhuratna at M/s L&T from end 2017 is being progressed.

15. (d) Sindhughosh. The MRLC of Sindhughosh is to be undertaken by an Indian shipyard with Russian OEM's assistance in 2020. Accordingly, case for offloading MRLC would be taken up 18 months prior to MRLC.e) Shishumar. The MRLC of Shishumar is being planned to be undertaken at MDL with OEM's (M/s TKMS, Germany) assistance. The Budgetary Quote has been submitted by M/s TKMS in August 2016. The work share agreement between MDL and OEM has been finalised and the RFP is likely to be issued shortly.

16. (f) Shankush. The MRLC of Shankush is to be undertaken by an Indian shipyard with OEM and MDL assistance in 2020/2021. Accordingly, case for offloading MRLC would be taken up 18 months prior to MRLC.

(Please see Para No. 19 of Chapter-I of the Report)

Recommendation (Para No. 67 - 70)

In the Budget Estimate 2017-18, the projection made by Indian Air Force (IAF) was Rs. 92,496.14 crore, while the allocation is Rs. 59,672.50 crore thus amounting to a shortfall of Rs. 42,823.64 crore or 35% vis-à-vis the projection. Hence, the Budget Estimate grant is merely 65% of the amount actually sought by Air Force. The Committee observe that the Budget Estimate allocation to IAF is severely short of their requirements. The Committee feel that this shortfall in the allocation vis-à-vis the amount projected as required by the Air Force would affect the operational preparedness and in achieving strategic objectives that include, enhanced Air Defence capability, enhanced combat force levels, increased surveillance and automation of Air Defence. IAF has been on a modernization trajectory, which needs to be sustained in the years to come. Also, important projects are at critical stages (CNC/CFA approval) and slow pace of modernisation will have a cascading effect. As per the submission of the representatives of Air Force, inadequacy of budget allocation would result in deferment of certain procurements planned, thereby creating a capability deficit. Therefore, adequate budgetary support is necessary to ensure that these projects fructify.

Out of the total allocation in BE, the Revenue allocation in Budget Estimate 2017-18 is Rs. 26,102 crore against a projection of Rs. 30,447 crore. This accounts to a shortage of Rs. 4,345 crore. Out of the total Revenue allocation, Rs. 15,054 crore is allocated for Salary expenses. Thus, the amount that would remain available for non-salary expenditure is Rs. 11,049 crore. The amount projected as required by IAF for non-salary segment was Rs. 14,927 crore. Thus, Rs. 3,878 crore is the cut in allocation as compared to the projected requirement. The deficit in Revenue Budget would lead to inability to procure spares & fuel, gaps in training programs that would affect serviceability of older systems. This would also adversely affect operational preparedness and other amenities being provided to Air Force personnel. Therefore, it is desirable that necessary funds are provided to Air Force during the course of FY 2017-18.

The grant in Budget Estimate 2017-18 under Capital Head is Rs. 33,570 crore made against a projection of Rs 62,049 crore. This amounts to a shortfall of Rs. 28,479 crore. The Committee take serious note of the reduced allocation and feel that this may hamper the modernization drive of IAF. The budget allocated exclusively for 'new schemes' is only Rs. 4,000 core. Air force is a 'capital intensive' service as procurement of Aircraft and related equipments are of high-cost nature. Therefore, necessary funds must be made available to IAF under the capital segment.

In order to achieve the strategic objectives of IAF, which include, deterrence on two fronts along with an offensive Defence posture, enhanced Air Defence capability, enhanced

combat force levels, increased surveillance and automation of Air Defence, the Ministry of Defence had informed that there is a need for continued induction of SU 30 Mki Aircraft, Akash-surface to Air missiles, latest radar systems, Rafale and Tejas Aircraft, etc. However, the Budget allocation does not resonate with the objectives of the Service. Therefore, the Committee cannot help inferring that the intent of the Government is not on the same trajectory as that of the Air Force. In order to achieve the planned targets, it is of utmost importance that Air Force is assigned essential funding in the FY 2017-18.

Reply of the Government

The demand for additional requirement of funds in respect of Air Force will be taken-up with Ministry of Finance at Supplementary/RE stage.While conveying BE 2017-18 ceilings, Ministry of Finance maintained BE figures of 2016-17 due to which no increase could be effected under Non-Salary segment. However, the demand for additional requirement of funds in respect of Air Force will be taken-up with Ministry of Finance at Supplementary/RE stage. This Ministry had proposed entire amount projected by the Services to Ministry of Finance. While conveying ceilings, Ministry of Finance provided reduced allocations which lead to distribution of lesser allocations than projected. However, the demand for additional requirement of funds in respect of Air Force will be taken-up with Ministry of Finance at Supplementary/RE stage. This Ministry is in full agreement with the recommendations of the Committee. The Committee may be assured that all efforts will be made so that no scheme/project is shelved for want of funds. All the additional requirements will be suitably projected at supplementary/RE stage.

(Please see Para No. 25 of Chapter-I of the Report)

Chapter III
OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

Recommendation (Para No. 12)

In the course of examination of the Demands, the Committee noted that during the Eleventh and Twelfth Plan Periods, out of the total Defence budget, there is an increase in the revenue share of Army budget vis-à-vis the total Defence Budget. Simultaneously, the percentage share of the capital budget has witnessed a steady decline. The Revenue share of Army Budget was 39.98% in the year 2012-13, 39.83% in 2013-14, 40.11% in 2014-15, 41.87% in the year 2015-16 and 45.65% in 2016-17. On the other hand, the capital share has declined during the 12th Plan period especially when compared to the Eleventh Plan period. It was 12.13% during the five years of Eleventh Plan Period and 10.38% during the Twelfth Plan Period. The Committee cannot help noting in this regard that the trend of budgetary allocation with a decline in capital share is indicative of inadequate emphasis being given on modernization and technological up-gradation. The Army faces critical shortage of good quality Bullet Proof Jackets (BPJs), Arms & Ammunition, Assault Rifles, Battle Tanks and surveillance & monitoring networks etc. The Committee are of the view that capital funding merits serious attention and provision of adequate funds under the Capital Head is an inevitable need that needs to be met. Accordingly, the Committee desire that necessary emphasis be given to Army during the current FY 2017-18 as well as the years to follow.

Reply of the Government

The recommendations of the Committee have been noted. It may be added that the higher growth in the revenue expenditure of the Army is mainly attributable to the fact that it is manpower intensive with a large portion of its expenditure being devoted to Salaries. This skews the revenue-capital ratio in favour of revenue expenditure.

Recommendation (Para Nos. 71 - 73)

For the Financial Year, 2016-17, under Capital Head, Revised Estimate projected was Rs. 36,512.95 crore. There was an additional requirement of Rs. 6,717.53 crore as compared to BE 2016-17 of Rs. Rs.29,795.42 crore. In the Action Taken Replies on the report on Demands for Grants 2016-17, Ministry of Defence had informed the Committee that additional funds had been sought and will be allocated to Air force. However, only Rs. 28,239.86 crore has been allocated to the IAF in the Revised Estimates 2016-17. This amount is even less than Budget Estimate grant of 2016-17. The Committee understand that under the Capital segment, Committed Liabilities have to be met first, thereby leaving very little or scanty funds for `New Schemes' during the year. This would certainly upset the up gradation processes of Air Force.

The Committee found that there is a trend of providing lesser allocation in Revised Estimates as compared to Budget Estimate in the last few years. In 2013-14 Budget Estimate was Rs. 39,208.84 crore while Revised Estimate was Rs. 37,750.44 crore. In 2015-16, Budget Estimate was Rs. 33,686.75 crore while Revised Estimate was Rs. 30,442.15 crore. With regard to the lower allocations Revenue Budget of 2016-17, the Committee would like to be apprised about the actual expenditure incurred.

With regard to the lower allocations, the Committee have been informed that the Ministry of Finance did not cite any reasons for reducing the allocations and not acceding to

the request for granting additional funds. It is surprising that an amount that is assigned at the initial stage is denied at a later stage. This would disrupt the procurement plans during the year. Therefore, more stringent and dedicated funding pattern should be developed. The Committee be informed of the measures taken towards this end.

Reply of the Government

Under the Revenue segment of Air Force, an amount of Rs. 23,655.83 crore was allocated under BE / RE 2016-17 and Rs. 23,817.52 crore was allocated under RE 2016-17 which was revised to Rs. 23,035.58 crore at MA stage. Against these allocation, an amount of Rs. 22,575.35 crore has been utilized by Air Force under Revenue segment as per March (Preliminary), 2017.

Recommendation (Para Nos. 83 - 84)

The Committee have been informed by Ministry of Defence that IAF has a requirement of 183 Basic Trainer Aircraft (BTA). At present, IAF has 75 x PC-7 Mk-II BTA. Acceptance of Necessity (AoN) was granted for procurement of additional 38 PC-7 MK II aircraft. At present, the scheme is at TEC stage and the contract is likely to be concluded in the next financial year (2017-18). Additionally, HAL has been tasked to make 70 BTAs (HTT-40) for meeting the balance requirement. The Committee wish that all the procurements for basic trainer Aircraft should be done in time-bound manner.

With regard to the Intermediate Jet Trainer, the Committee were apprised that the Kiran (IJT) aircraft have already started retiring and were planned to be replaced by the HAL built IJT. However, the IJT has been in the process of being developed since 1999. In view of this factor, the IAF is looking at other available options for Intermediate Flying Training. This could include use of the BTA for undertaking the Intermediate stage training syllabus (Stage-II Flying). HAL, in conjunction with RCMA (A/C) has carried out life extension studies on Kiran aircraft. The phase out will now commence from the end of 2019. The Committee are unhappy with the performance of HAL on the issue of IJTs. The scenario has become so dismal that Kiran aircraft is being considered for 'extension' for mid-level training. Training is very crucial as any lacunae could result into fatalities. Therefore, the Committee desire that the Ministry of Defence identifies the causes for non-performance by HAL with regard to making of IJTs. In this regard, adequate penalties be imposed on the DPSU as the Air Force has been made to suffer. Besides this, appropriate action needs to be taken to identify alternate Mid-level trainers for Pilots in Air Force.

Reply of the Government

IAF has a requirement of 183 Basic Trainer Aircraft (BTA). At present, 75 x PC-7 Mk-II BTAs are operational in IAF. Further, AoN has been granted for procurement of additional 38 x PC-7 MK II aircraft. The procurement case is at TEC stage. Balance requirement of 70 BTA will be made good by indigenous HTT-40 BTA for which development flight trials are under progress. IAF has also contracted for 106 Hawk-132 Advance Jet Trainer aircraft which have been inducted. All the aircraft have been delivered. In addition, a case for procurement of 20 additional Hawk aircraft from HAL is at Contract Negotiation Stage.

IJT is the Design & Development project of HAL. The Initial Operational Clearance (IOC) which was planned in March 2004 has still not been achieved. The IJT has encountered design problems with respect to safe execution of Stall and Spin of which Spin issue is yet to be resolved. HAL contracted British Aerospace Systems (BAES) of UK to

provide consultancy for resolving the Stall and Spin related design issues of IJT. Further certain modification to resolve spin issues as suggested by BAES also could not solve the spin issues.

In view of the imminent retirement of existing trainer aircraft (Kiran) and delay in progress of IJT Design & Developmental (D&D) activities, Air HQ studied the feasibility of conducting 'Two Aircraft Type Flying Training' pattern instead of the 'Three Aircraft Type Flying Training' pattern and has successfully implemented the 'Two Aircraft Type Flying Training' pattern. Most modern Air Forces in the world use two aircraft types for flying training wherein trainees graduate to an Advanced Jet Trainer (AJT) after flying turbo-prop Basic Trainer Aircraft (BTA) at ab-initio stage of flying training. In the revised pattern, trainee pilots are graduating directly from the BTA (PC-7 Mk II) to Hawk AJT for which the trainees are given increased flying training on both the BTA and AJT. Switching from 'Three Aircraft Type Flying Training' to 'Two Aircraft Type Flying Training' pattern provides several advantages towards improving the quality of flying training due to increased continuity on same type and time saving associated with ground training and conversion on to another type. In addition, substantial benefits will be accrued in terms of cost reduction, improved supply chain management and HR management. Considering the delays in D&D of IJT and time frame to resolve spin issues and related uncertainties, the 25th Steering Committee held on 29 Jul 2016, has recommended that since the time frame to realising the IJT is uncertain, the IAF proposal for two stage training was recommended for 'Two stage training' and HAL may continue on its own with the R&D for the programme. Based on the feasibility study of conducting 'Two Aircraft Type Flying Training' pattern instead of the 'Three Aircraft Type Flying Training' pattern, Air HQ has implemented the 'Two Aircraft Type Flying Training' pattern.

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE WHICH REQUIRE REITERATION AND COMMENTED UPON:

Recommendation (Para No. 32 - 39)

The Committee, during the course of examination of Demands for Grants had noted that there was serious deficiency of Bullet Proof Jackets(BPJs). Even when the approval of Defence Acquisition Council was obtained on 19.10.2009 for purchase of desired BPJs, the necessary purchases could not be made due to various reasons. The Committee came to know that BPJs currently held by Indian Army are based on GSQR No. 878. This GSQR has since been revised and further procurement of BPJs in the Army is being undertaken as per revised GSQR, i.e. GSQR No. 1438. The new GSQR No. 1438 is at par with the world standards being followed and allows addition/removal of external attachments to / from the BPJ as per operational requirement.

As regards the present position in regard to BPJs and progress made in procurement of BPJs, the Committee were intimated that, based on the emerging threats, the requirement of the BPJs is on an increase. However, as on date, the total authorisation of BPJs in Army is to the tune of 3,53,765 pieces. The case for procurement of BPJs (quantity 1,86,138) as per new GSQR 1438 is presently at trial stage.

With regard to the procurement of BPJs of GSQR No. 1438, the Committee were informed that in response to the RFP for procurement of 1,86,138 BPJs issued on 04.04.2016, five vendors have submitted their bids each offering two models of BPJs. All the vendors were found to be technically qualified to participate in trials, which are likely to commence in March 2017.

In this regard, the Ministry further informed that Mishra Dhatu Nigam Limited (MIDHANI), a DPSU under Department of Defence Production, had earlier developed Bullet Proof Jackets made of steel. However, the same did not meet the requirement of the user. The state-of-the-art Bullet Proof Jackets are manufactured from the fabric made up of the fibres such as 'Aramid' or 'Ultra High Molecular Weight Polyethylene (UHMWPE)', which is light weight, strong and comfortable to wear. The technology for fibre/fabric manufacture is not available in the country. However, there are a few foreign manufacturers having this technology. The downstream technology for further processing of fabric into material for BPJ manufacture exists with Indian private sector.

MIDHANI has now initiated the process to acquire technology for making fibres such as 'Aramid' or 'Ultra High Molecular Weight Polyethylene (UHMWPE)' within the country, in collaboration with concerned foreign companies.

While analyzing the information submitted by the Ministry on comparison of BPJs available with Indian soldiers and other developed countries, the Committee also noted the aspect of the lesser body coverage area existing in Indian BPJs as compared to the BPJs of other developed nations. The Committee hope that new BPJs are designed and made keeping in mind the aspect of ensuring maximum body coverage.

The Committee have also taken note of the advancements made in regard to procurement of 50,000 BPJs (GSQR 878) for meeting the immediate requirement. As a matter of some respite, it was observed that the procurement of 50,000 BPJs was contracted for in March 2016. The delivery of BPJs has already commenced and 30,000 BPJs have so far been received. Delivery of the balance 20,000 BPJs is likely to be completed by March 2017. The Committee desire that the procurement of BPJs is

completed by March 2017 and supplied to the soldiers. The Committee desire to be kept apprised of the progress made in this regard.

By way of concluding the analytical account as brought out above, the Committee regret that even after the approval by the DAC in 2009 and a lapse of 8 years since then, our soldiers continue to suffer due to the 'insufficiency' of BPJs. Further, the Committee observe that when the trial is rejected, all the expenditure incurred from sanction of the procurement to trial stage goes in vain. Therefore, there is a need to conduct extensive research before tendering for the BPJs. At the same time, the decision should be more specific and timely so that delays in procurement do not occur.

In any case, the Committee sternly wish and hope that the procurement of 1,86,138 BPJs of GSQR No. 1438 is made within a stipulated time frame even though a huge deficiency of BPJs would continue to remain in the Army as compared to the requirement. The Committee, therefore, recommend that efforts should be made towards procuring the balance BPJs also, as the lives of our soldiers cannot be left in danger. The Committee would like to be apprised of the developments in this direction.

Reply of the Government

Procurement of Bullet Proof Jackets (BPJ) for the Army has been addressed in a two pronged approach. Emergent requirements are being procured through the revenue route and overall requirements, with enhanced protection levels, are being processed through the Capital route.

Procurement of 50,000 BPJ through revenue route (GSQR 878) was contracted in March 2016 and delivery of the entire quantity has been completed. Additional procurement under this route is also under consideration at AHQ.

Capital procurement of 1,86,138 BPJ was initiated in 2009 but RFP had to be retracted in October 2015 as all samples were rejected during trial evaluation. Fresh RFP was issued in April 2016, wherein five vendors had submitted their bids and offered two models each. The case is at an advanced stage of Field Evaluation Trials and is likely to be completed by November 2017.

Capital procurement scheme of BPJs is based on GSQR No. 1438, which incorporates prevalent technical and operational requirement of the Army and conforms to internationally accepted norms. The aspect of maximum body coverage and trial evaluation of the highest standards (National Institute of Justice (NJI) standard 0101.06) has been ensured.

Observation of the committee with regard to the need to expedite procurement of BPJs is noted for compliance.

In response to the RFP for procurement of 1,86,138 BPJs issued on 04.04.2016, five vendors submitted their bids each offering two models of BPJs. All the vendors were found to be technically qualified to participate in trials, which are in progress. The trials are expected to be completed by November, 2017.

To meet the immediate requirements of BPJs, a case for procurement of 50,000 BPJs through the Revenue route had been finalized and the contract was signed on 31 Mar, 2016. The delivery of 50,000 BPJs has been completed.

(Please see Para No. 13 of Chapter-I of the Report)

Recommendation (Para No. 65 - 66)

The Committee note from the submission made by the Ministry that during the year 2014-15, Rs. 7,874 crore under the Capital Head could not be utilised due to several reasons like cut by Ministry of Finance, slippages in Committed Liabilities, Non fructification of 14 Schemes at

Competent Financial Authority (CFA) stage, under utilisation by Director General Ordnance Factory (DGOF) etc. It is beyond comprehension of the Committee that slippages were allowed to happen in the Committed liabilities also, which is an obligatory expense. The Committee are of the view that since the allocation in the Capital Head is already less than the projection thereby, making availability of monetary resources scarce, therefore, the Committee desire that due care should be taken by the Ministry to avoid such under utilizations.

The Committee feel that there should be proper coordination between Civilian Bureaucracy in the Ministry of Defence and the Armed Forces Personnel. In view of such happenings, as well as in the greater interest of the Nation, the Committee feel that the decision making process may be expedited.

Reply of the Government

As explained earlier, the utilisation of the capital budget must be viewed in its entirety to get an accurate picture. There has been near full utilisation of available funds under the Capital budget during 2014-15 as brought out by the data below:

(Rs. in cr.)

Year	BE	RE	Actuals	% age utilisation
2014-15	94,587.95	81,965.24	81,887.42	99.91

It may be seen from above that the extent of saving has been Rs. 77.82 cr. only.

Indian Navy is progressing various cases for induction of aircraft and helicopters for modernisation of the Indian Navy. The present status of the cases are as follows:-

(g) 04 Boeing P-8I (Option Clause). A contract for procurement of four additional Boeing P-8I aircraft, under the Option Clause, was concluded with M/s Boeing on 27 July 2016. The delivery of the aircraft is scheduled between July 2020 to December 2021.

(h) Kamov 28 MLU. The Contract for MLU of 10 KV helicopters including overhaul of seven helicopters, was concluded with M/s ROE on 29 July 2016. Delivery of the Helicopters post MLU will be undertaken between February 2020 to July 2021.

(i) 12 Dorniers for Coastal Security. Towards meeting the imperatives of coastal security, a contract for procurement of 12 Dornier-228 aircraft was concluded with M/s HAL on 29 December 2016. The delivery of the aircraft is scheduled between January 2019 to January 2021.

(j) 16 Advanced Light Helicopters (ALH). A contract for procurement of 16 ALH was concluded with M/s HAL on 29 March 2017. The helicopters are scheduled to be delivered between March 2020 to September 2021.

(k) 08 Chetak: A contract for procurement of 08 Chetak with HAL was concluded on 18th August, 2017.

(l) 09 MRMR Aircraft. The AoN for procurement of nine Medium Range Maritime Reconnaissance (MRMR) aircraft under Buy (Global) categorisation was accorded by DAC on 23 February 2012. The case resulted in a resultant single vendor at TEC stage and the RFP was retracted on 23 September 2015. The validity of AoN has

expired on 22 September 2016. *Indian Navy* is presently in the process of drawing up fresh Operational Requirements(ORs), following which the case would be progressed.

(Please see Para No. 22 of Chapter-I of the Report)

Recommendation (Para Nos. 74 - 75)

It has been emphasized upon to the Committee that modernisation is based on the approved LTIPP for 2012-27 which is a vision to the Budget Estimate enforced for maintaining and enhancing the war fighting potential of IAF. In an effort to strengthen the indigenous Defence production base, the Government has put in place a Defence production policy which endeavors to enhance Defence Research and Development base of the country.

During the 5 years of 12th Plan period i.e. from 2012-13 to 2016-17, the Budget Estimate grant for modernisation is Rs. 16,315,40.92 crore, Revised Estimate allocation was Rs. 15,5265.00 crore, while the Modified Appropriation (MA) was Rs. 15,4407.32 crore. The data reveals that allocation was less than Budget Estimate grants. Such deficiencies would result into asymmetry in capability with regard to envisaged threat perception. Also, flight safety becomes a concern due to obsolescence issues. The Committee opine that modernisation of IAF is an utmost necessity, for which appropriate budgetary resources need to be provided for modernisation. The Committee believe that inadequacy of budget allocation would result in deferment of certain procurements, thereby further deepening the capability deficit.

Reply of the Government

The Committee may be assured that all efforts will be made to ensure that no scheme/project of operational urgency is shelved for want of funds. All the additional requirements will be suitably projected at supplementary/RE stage.

(Please see Para No. 28 of Chapter-I of the Report)

Recommendation (Para Nos. 80 - 81)

The Committee have been informed that the present requirement of IAF is at least 45 fighter squadrons to counter a two front collusive threat. However, IAF as on date has 33 active fighter squadrons as against Government authorised strength of 42 squadrons. Further, the Committee are given to understand that this gap in the Force level is due to the rate at which fighter aircraft are retiring after completion of their total technical life which exceeds the rate at which their replacements are being inducted into the IAF. With regard to the issue of filling of gaps, the Ministry submitted that the capability gap cannot be filled up in the 12th Plan period which is going to end shortly. However, the capability deficit of current Plan Period is being carried forward. Adequate budgetary allocation over the coming years will ensure that the capability gap is reduced. However, mainly on account of the trend of reduced budgetary allocations at BE and RE stages in the recent years, the Committee are apprehensive about the decrease in the capability gaps. The Committee take note of the requirements of Air Force in regard to acquisition of Aircraft in the coming years. Therefore, they recommend that the funds that are essential are channelized to Air Force for the purpose.

With regard to the present position of combat capabilities of IAF, during the presentation given by IAF, the Committee were informed that as 14 suadrons of MiG 21, 27 & 29 are due for de-induction in next 10 years, the present level of 33 squadrons will further go down to 19 by 2027, and may further reduce to 16 by 2032. In order to arrest the drawdown, the Committee have been informed by the representatives of Air Force that induction of Su-30, Tejas and Rafale Aircraft would help in addressing the problem. The Committee are worried at the prevailing state-of-affairs. They observe that the capital funding provided to IAF is not at all commensurate with the envisaged requirements. This could lead to erosion of existing capabilities to a large extent. In the light of these factors, the Committee urge upon the Ministry of Defence to take every step needed towards procuring the essential combat planes for Air Force.

Reply of the Government

The Committee may be assured that all efforts will be made to ensure that no scheme/project of operational urgency is shelved for want of funds. All the additional requirements will be suitably projected at supplementary/RE stage.

It is true that at present Air Force has 33 active fighter squadrons and in the next 10 years 13 more fighter squadrons are likely to get number plated. In order to arrest the drawdown and to ensure Indian Air Force reaches to authorized strength of 42 squadrons in the earliest possible timeframe, Government is preparing the roadmap for induction of fighter aircraft in Indian Air Force. Further, all possible budgetary support will be provided to ensure implementation of the Roadmap.

(Please see Para No. 31 of Chapter-I of the Report)

CHAPTER V
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Nil

NEW DELHI;
December, 2017
Agrahayana, 1939 (Saka)

MAJ GEN B C KHANDURI, AVSM (RETD),
Chairperson,
Standing Committee on Defence

APPENDIX I

STANDING COMMITTEE ON DEFENCE (2017-18)

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON DEFENCE (2017-18)

The Committee sat on Wednesday, the 29 November, 2017 from 1130 to 1300 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Maj Gen B C Khanduri, AVSM (Retd) - Chairperson

MEMBERS

LOK SABHA

2 Shri Shrirang Appa Barne

3 Col Sonaram Choudhary(Retd)

4 Shri Thupstan Chhewang

5 Shri Dharambir Singh

6 Shri Sher Singh Ghubaya

7 Km Shobha Karandlaje

8 Dr Mriganka Mahato

9 Shri Kalraj Mishra

10 Smt Mala Rajya Lakshmi Shah

11 Smt Pratyusha Rajeshwari Singh

RAJYA SABHA

12. Shri K R Arjunan
13. Shri Harivansh
14. Shri Basawaraj Patil
15. Shri Sanjay Raut
16. Smt Ambika Soni
17. Shri Vivek K Tankha

SECRETARIAT

1 Smt Kalpana Sharma - Joint Secretary

2 Shri TG Chandrasekhar - Director

3 Smt Jyochnamayi Sinha - Additional Director

4 Shri Rahul Singh - Under Secretary

LIST OF WITNESSESS
MINISTRY OF DEFENCE

S.NO	NAME OF OFFICER	DESIGNATION
1	Shri Sanjay Mitra	Defence Secretary
2	Lt Gen Sarath Chand	VCOAS
3	Air Marshal S B Deo	VCAS
4	Vice Admiral Ajit Kumar P	VCNS
5	Lt Gen Ashwani Kumar	Adjutant General
6	Shri Jayant Sinha	Joint Secretary
7	Shri Ravikant	Joint Secretary
8	Maj Gen Nav K Khanduri	ADG CAB
9	Maj Gen Yogendra Dimri	ADG D&V
10	Rear Admiral Kishan K Pandey	ACOP (AC)
11	Shri S K Sharma	Director(MIS)
12	Brig K Narayanan	DDG PS (A)
13	Cmde Atul Kumar	PDPS
14	Gp Capt RP Singh	Dy JAG(Air)

****

6. The Committee took break for tea and resumed the Sitting for consideration and adoption of the draft Reports on Action Taken by the Government on the Observations/Recommendations contained in Twenty-Ninth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on Army, Navy and Air Force (Demand no. 20)' and Thirty-First Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)'.

7. After deliberation, the Committee adopted the above Reports and authorized the Chairperson to finalize the Reports in the light of the suggestions as may be received from the Members within three days.

The Committee then adjourned.

8. A copy of verbatim record of the proceedings has been kept.

***Does not pertain to the subject

APPENDIX II

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS/OBSERVATIONS CONTAINED IN THE TWENTY-NINTH REPORT OF STANDING COMMITTEE ON DEFENCE (SIXTEENTH LOK SABHA) ON `DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2017-18 ON ARMY, NAVY AND AIR FORCE (DEMAND NO. 20)'

1. Total number of recommendations 93

2. Recommendations/Observations which have been accepted by the Government (please see Chapter II):

Para Nos. 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 67, 68, 69, 70, 76, 77, 78, 79, 82, 85, 86, 87, 88, 89, 90, 91, 92 & 93

Total : 73
Percentage: 78.50%

3. Recommendations/Observations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):

Para Nos. 12, 71, 72, 73, 83 & 84

Total : 06
Percentage: 06.50%

4. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee which require reiteration and commented upon (please see Chapter IV):

Para Nos. 32, 33, 34, 35, 36, 37, 38, 39, 65, 66, 74, 75, 80 & 81

Total : 14
Percentage: 15.00%

5. Recommendations/Observations in respect of which Government have furnished interim replies (please see Chapter V):

-Nil-

Total : Nil
Percentage: 0%